

# **City of Farmington Hills, Michigan**

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## **Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008**

**Prepared by:**

**Robert Spaman, Finance Director**

**Nancy Piwowar, Controller**

# City of Farmington Hills, Michigan

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# City of Farmington Hills, Michigan

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# City of Farmington Hills, Michigan

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DEPARTMENT OF FINANCE

November 20, 2008

Honorable Mayor, Members of the City Council,  
and Citizens of Farmington Hills

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Farmington Hills (the "City") for the fiscal year ended June 30, 2008. This report was prepared by the finance department in conformance with regulations and standards set forth by the City Charter, the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants and its Committee on Governmental Accounting and Auditing, generally accepted accounting principles (GAAP), the Treasurer of the State of Michigan, and the Government Finance Officers Association (GFOA). This report consists of management representations concerning the finances of the City of Farmington Hills. Therefore, responsibility for the accuracy, completeness, reliability, and fairness of the financial data herein, including all disclosures, rests with the administration and management of the City of Farmington Hills. We believe the data presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The statements have been audited in accordance with generally accepted auditing standards by Plante & Moran, PLLC, a certified public accounting firm licensed by the State of Michigan.

Since the report consists of management's representations concerning the finances of the City of Farmington Hills, a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for preparation of the City of Farmington Hills' financial statements in conformity with GAAP has been established. However, due to the fact that the internal control systems should be cost effective, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

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Plante & Moran, PLLC has audited the City of Farmington Hills' financial statements to provide reasonable assurance that the City's financial statements for the fiscal year ended June 30, 2008 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Farmington Hills' financial statements for the fiscal year ended June 30, 2008 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "single audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. This report is available in the City of Farmington Hills' separately issued single audit report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Farmington Hills' MD&A can be found immediately following the report of the independent auditor.

## **Profile of the Government**

The City of Farmington Hills was incorporated in 1973 and is a 34-square mile suburban community with a pastoral and gently rolling terrain in Oakland County, Michigan. The City possesses an ideal location that is within 25 minutes of downtown Detroit and Detroit Metro Airport and is also the focal point of a freeway network. Industrial centers of Warren, the Saginaw/Flint area, Lansing, Toledo, Ohio, as well as the Ann Arbor technology corridor are within an hour's drive. Approximately half of America's disposable income, half of the country's work force, and nearly half of the total U.S. population are within a 500-mile radius of the City.

The City is enhanced by exemplary educational opportunities for kindergarten through 12<sup>th</sup> grade via both public and private schools and a premier district library system. Twelve major colleges and universities are within a 45-minute drive of the community. A broad spectrum of recreational and cultural activities is also available within the City or within a short drive. Quality health care is provided by Botsford Hospital, which is a teaching osteopathic hospital associated with Michigan State University. Many additional medical centers and hospitals are within a half-hour driving distance of the City.

The community offers a wide range of quality housing featuring homes in every style and price range. There are many premier residential areas providing housing options including more than 23,000 single-family homes and over 11,000 rental units designed to fit every lifestyle. Home prices range from under \$100,000 to \$2.5 million, with the average home priced at just over \$248,500.

The City operates under the city council/city manager form of government with seven elected officials, a mayor, and six City Council members representing the citizens of the City of Farmington Hills. The mayor is elected directly by the electorate for not more than two consecutive, two-year terms. The six City Council members are elected at large for staggered terms of four years each. The mayor and City Council establish all policies for the City government. The city manager is appointed by the City Council.

The City of Farmington Hills provides a full range of services including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; recreational activities and cultural events; and refuse collection and recycling services. Utility services for water and sanitary sewers are provided by the City with the Oakland County Department of Public Services administering the service for water and sanitary sewers under contract with the City. Library functions are provided by the Farmington Community Library, which serves both the City of Farmington Hills and the neighboring City of Farmington.

Economic development efforts are promoted by the City of Farmington Hills Economic Development Corporation, a component unit of the City whose financial statements are displayed in the basic financial statements.

The other component unit of the City is the Brownfield Redevelopment Authority established by City Council to assist in the redevelopment of environmentally challenged sites within the City. The Brownfield Redevelopment Authority's financial statements are also displayed in the basic financial statements.

The City's annual budget provides the foundation for the financial planning and control. All departments and boards and commissions funded by the City of Farmington Hills are required to submit requests for appropriations to the city manager by the third week of February of each year. The city manager utilizes these requests as the basis for developing the proposed budget submitted to City Council at the first regular Council meeting in May. In conformity with *Article VII General Finance* of the City Charter and the State of Michigan Uniform Budgets Act, a public hearing on the proposed annual budget and tax rates is held at the first regular Council meeting in June, after public notice of the meeting and hearing is published at least seven days prior to the public hearing. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police department). Department heads may make transfers of appropriated funds within a department with the approval of the city manager and finance director. Transfers of appropriations between departments require approval by the City Council. Budget-to-actual comparisons are provided in this report for each governmental fund in which an appropriated annual budget has been adopted. For the General Fund and the major Special Revenue Funds (Major Road Fund, Local Road Fund, and the Capital Improvement Fund), the comparison is reported as part of the required supplemental information following the notes to the financial statements. For the major Debt Service Fund and all nonmajor governmental funds with an appropriated annual budget, this comparison is presented in the other supplemental information subsection of this report.

## Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the unique environment within which the City of Farmington Hills operates.

**Local Economy** - The City of Farmington Hills possesses a stable and diversified property tax base with residential comprising 66 percent, commercial 21 percent, industrial 6 percent, and personal property (business equipment, furniture, and machinery) 6 percent. No one taxpayer exceeds 1.8 percent of the tax roll and the top 10 payers combined account for less than 8 percent of the total tax roll. Farmington Hills is home to 6,000 businesses, 75 Fortune 500 companies, and more than 170 international firms. The City's residents are employed predominantly in management, professional sales, and related occupations. Despite its stability, Farmington Hills does not stand alone and has been impacted by the trying economic environment of the nation and state. For the first time since records have been kept, the taxable value of the city has declined. The City's unemployment rate of 6.7 percent is the highest it has been in the last 15 years, but is lower than the county unemployment rate of 8.0 percent and also lower than the state unemployment rate of 8.5 percent at June 2008.

Michigan's economy continues to decline, particularly in terms of jobs lost. Unfortunately, economists predict that the number of jobs in Michigan will continue to decline throughout the remainder of this year and into the next.

Things are a little brighter in Oakland County. While it would be nice to say that the workforce will grow in the next year, the best that can be said is that there will be a slowing of the job loss, according to the Institute of Labor and Industrial Relations. With the current weakness in the national economy, the sharp decline in motor vehicle sales, and the ongoing difficulties in the residential real estate market, recovery will take time.

Helping to bolster Oakland County's economic growth and business sustainability is "Automation Alley," a dynamic organization of leaders from all backgrounds and business sectors that are combining talent and energy to transform southeast Michigan into a high technology workforce and business development powerhouse. Membership is made up of more than 870 technology-driven companies, governments, and educational institutions which have helped to drive the growth and image of southeast Michigan's technology economy.

Oakland County continues to embrace the "emerging sectors" program, an aggressive plan to attract the top 10 new and emerging businesses to Oakland County. These sectors are:

- Advanced electronics and controls
- Advanced material and chemicals
- Alternative energy and power generation
- Biotechnology
- Communications and information technology
- Homeland security
- Medical devices and instrumentation
- Micro/Nanotechnology
- Robotics and automation
- Healthcare, finance and fast growth



Oakland County also enjoys a per capita income of \$45,872 in 2000, more than 50 percent above the average for both Michigan and the nation, and ranks within the top 1 percent of all counties in the United States. It is the fourth wealthiest county in America and is one of 25 counties in America that enjoys a AAA bond rating.

Economic development staff of the City coordinates development activity with the City's Economic Development Corporation. The City participates in a business retention program and has formed a partnership with the Oakland County Planning and Economic Development Services Division and the Michigan Economic Development Corporation. Working together, they have been successful in assisting companies in expanding their business opportunities in the City.

The City Council annually reviews the updated "Six-year Capital Improvement Program" prepared by the City's Planning Commission, which directly impacts the City's infrastructure. The City Council adopts many of the projects in the first year of this program in the annual budget. In addition to road construction projects, the following acquisitions or improvements are planned for fiscal year 2008-2009:

- Drainage expenditures of \$665,000 that will concentrate on the Storm Water Pollution Prevention Initiative and the Storm Model and Master Plan Pilot. Also included are GIS Storm Phases I, II, and III, miscellaneous detention basin improvements, and the replacement of major drain culverts in Springbrook subdivision.
- A number of sidewalk and bike path improvements are in process or will take place this next fiscal year including: Halsted east side, south of Valhalla; Ten Mile north side, Power to Orchard Lake Road; Drake west side, Valley Creek to Lytle; Drake east side, Thirteen Mile to Muer cove; Shiawassee south side, Whittington to Rockwell; and the Middlebelt Sans Souci sidewalk.
- Equipment for the Fire Department includes a replacement for Engine #3, replacement mobile laptops and thermal imaging cameras.
- Equipment for the Division of Public Works includes a replacement three-yard dump truck, ten-yard dump truck and ditch excavator, and a new scissor platform and chipper.
- The demolition of some and renovation to City Hall to make way for a new Council Chamber/Administration wing and facade enhancements.
- Fiber optic technology improvements, phone system upgrades, 911 updates, RecTrac software, scheduling software, document imaging, and equipment upgrades City-wide to keep the network fast and reliable.

**Cash Management** - The City complies with Public Act 20 of 1943 (as amended) of the State of Michigan in its cash management activities. Idle cash in all funds, exclusive of the Employees' Retirement System, is invested in certificates of deposit, governmental obligations, bankers' acceptances, bank pooled accounts, and commercial paper. Interest income for the governmental funds and Enterprise Funds for the current fiscal year is \$5,224,018, an decrease of \$1,065,907 from the fiscal year ended June 30, 2007. This decrease was due primarily to rate decreases by the Federal Reserve and slightly smaller investment balances.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In the state of Michigan, municipalities are not required to insure all bank deposits; however, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. The City utilizes an investment policy adopted by the City Council on November 16, 1999 and revised in May 2007.

**Risk Management** - The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to eligible employees. The City is a member of the Michigan Municipal Workers' Compensation insurance pool and is self-insured for medical benefit claims subject to certain insured limitations.

For claims relating to general and auto liabilities, auto physical damage, and property loss, the City participates in the Michigan Municipal Risk Management Authority (MMRMA) risk pool program that provides risk management, claim administration, legal defense, and reimbursement services for its members. As a member of MMRMA, Farmington Hills has liability coverage of up to \$15,000,000 per occurrence with a self-insured retention for liability of \$150,000 per occurrence with a stop-loss program maximum of \$898,000. Farmington Hills is actively involved in risk control through supervisor and employee training, facilities inspections, and utilization of the MMRMA risk control staff, and City staff has participated in the production of several training videos.

The City of Farmington Hills is self-insured through the Michigan Municipal League (MML) Workers' Compensation Fund. The MML Workers' Compensation Fund utilizes Meadowbrook Insurance Company as a third-party administrator. The City has enjoyed remarkable success in managing its workers' compensation program, and has the distinction of receiving the MML "Workers' Compensation Loss Control Achievement Award." The annual award is given to cities with the lowest workers' compensation claims experience. This distinction has brought with it significant monetary savings, estimated to be over \$350,000 this year alone. Over the past 15 years, the City has saved over \$3 million dollars in workers' compensation premiums. The City has a safety and health program, which includes an active safety committee, ongoing safety training, safety inspections, wellness programs, and a health newsletter. In addition to the favorable impact the program has had on insurance rates, the most important impact has been to protect the health and safety of the City's most valuable resource, its staff.

**Pension and Other Postemployment Benefits** - The City sponsors a single-employer defined benefit pension plan for the employees of the City and the employees of the 47<sup>th</sup> District Court. Employees in some employee groups hired on or after July 1, 2006 participate in a defined contribution plan/retirement health savings plan in lieu of the defined benefit plan. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City of Farmington Hills must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as calculated by the actuary. In accordance with this policy, the City has, as of June 30, 2007, funded 91 percent of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 30 years as part of the annual required contribution calculated by our actuary. The City also provides post-retirement

healthcare benefits to eligible retired employees. These postretirement healthcare benefits are projected annually based on a required contribution calculated by our actuary.

At June 30, 2007, these postretirement healthcare benefits were 66 percent funded, with the remaining unfunded amount amortized over 30 years.

Additional information on the City's pension arrangements and postemployment benefits can be found in the notes to the financial statements.

### **Awards and Acknowledgements**

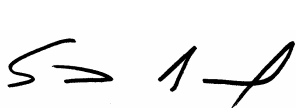
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Farmington Hills for its CAFR for the fiscal year ended June 30, 2007. This was the tenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2008. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. This is the 21st consecutive year the City has received this award.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department and City Manager's Office. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. The independent auditing firm of Plante & Moran, PLLC provided assistance for proper presentation in the form of counsel, suggestions, and direct input. Credit also must be given to the mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Farmington Hills' finances.

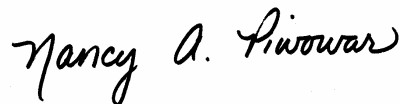
Respectfully submitted,



Steve Brock  
City Manager



Robert Spaman  
Finance Director/Treasurer



Nancy A. Piwowar  
Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Farmington Hills  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Charles S. Cox*

President

*Jeffrey R. Emer*

Executive Director

## City of Farmington Hills, Michigan

### List of Principal Officials

June 30, 2008

Title	Name
City Manager	Steve Brock
Assistant City Manager	Dana Whinnery
Economic Development Director	Teri Arbenowske
Management Assistant	Nathan Geinzer
City Clerk	Kathryn Dornan
Central Services Director	Michael Lasley
Finance Director/Treasurer	Robert Spaman
Fire Chief	Richard Marinucci
Human Resources Director	Mary Kohls
Planning and Community Development Director	Dale Countegan
Police Chief	Richard Niemisto
Public Services Director	Thomas Biasell
Special Services Director	David Boyer
City Attorney	Secrest, Wardle, Lynch, Hampton, Truex, and Morley
Deputy Director Special Services	Robb Clarkson
Assistant Police Chief	James Whitcomb
Assistant Police Chief	Craig Summers
Deputy Fire Chief	Corey Bartsch
Deputy Fire Chief	Kevin Bersche
Building Official	Lawrence Andree
City Assessor	Dean Babb
City Engineer	William Otwell
City Planner	Edward Gardiner
Community Development Coordinator	Richard Lampi
Controller	Nancy Piwowar
Deputy City Clerk	Pamela Smith
Deputy Treasurer	Lawrence Williams
Fire Marshal	Stephen Hume
Public Works Superintendent	Dan Rooney
Zoning Division Supervisor	Dennis Randt

## City Profile



Farmington Hills, incorporated in 1973, is a 34 square mile suburban community with a pastoral and gently rolling terrain in Oakland County, located 17 miles from downtown Detroit. The City's tax base of \$4,411,543,260 is comprised of 66 percent residential property and 34 percent commercial, industrial, and personal property. The community's 79,327 residents live in approximately 33,412 households with a median household income of \$65,672.

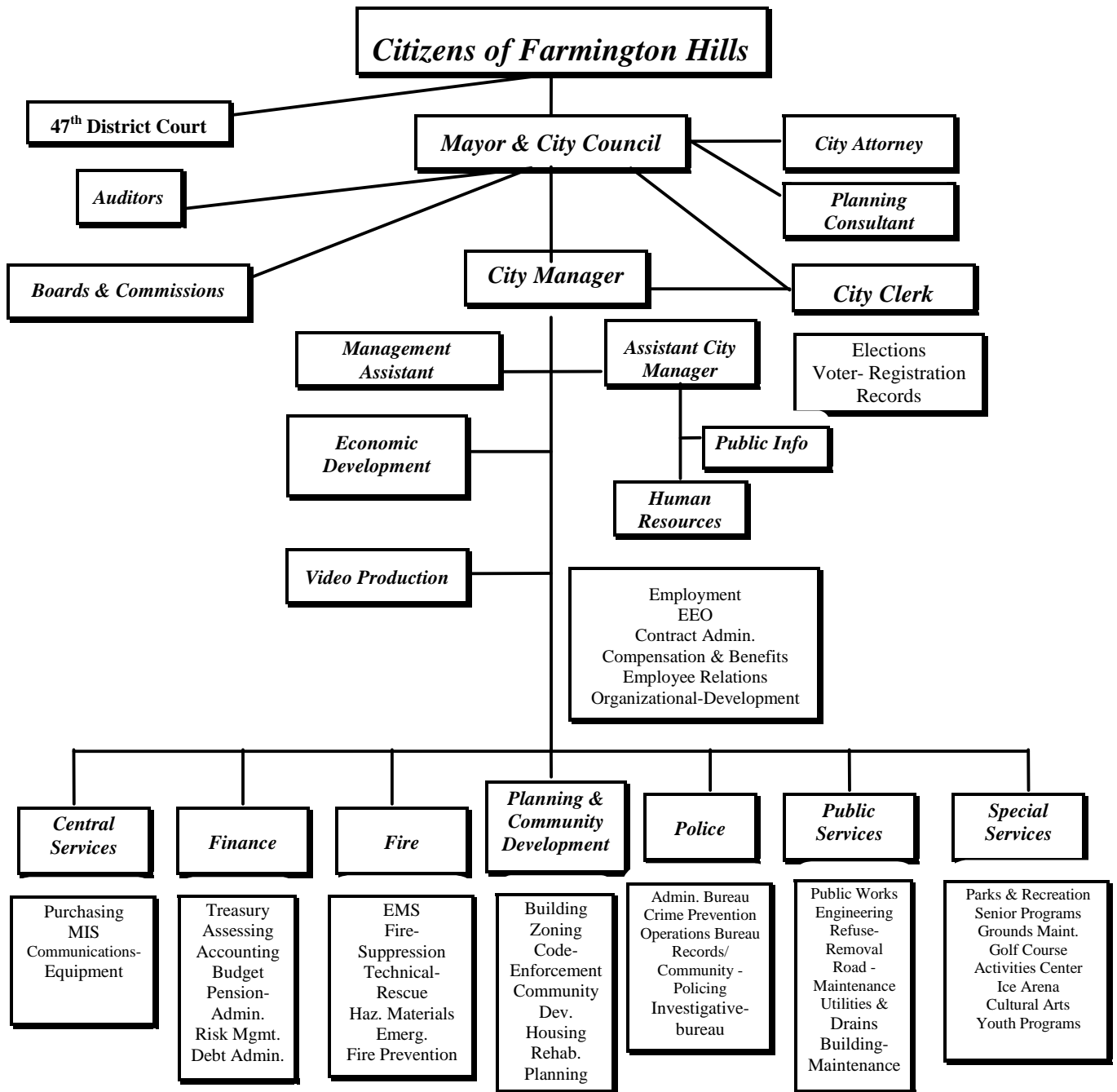
The City possesses an ideal location within 25 minutes of downtown Detroit and Detroit Metro Airport and at the focal point of a north/south and west/east freeway network. Industrial centers of Warren, the Saginaw/Flint area, Lansing, and Toledo, Ohio, as well as the Ann Arbor technology corridor, are within an hour's drive. Approximately half of America's disposable income, half of the country's work force, and nearly half of the total U.S. population are within a 500-mile radius of the City. This asset supports seven industrial parks totaling more than 600 acres, which provide first-rate services and facilities. In addition, the 12 Mile Road, Orchard Lake Road, and Northwestern Highway corridors host many commercial and office developments, which house many corporate headquarters and district offices of regional, national, and international prominence.

The community offers many premier residential areas providing a wide range of housing options including approximately 23,000 single-family sites (including detached condominiums) and more than 11,000 apartment units designed to fit every lifestyle.

The City's respect for its Quaker heritage is demonstrated by its commitment to historical preservation through its Historic Commission, Historical District, and the conversion of the historic Spicer Estate House to a visitor center within the 211-acre passive Heritage Park, located in the center of the City.

The City is enhanced by exemplary educational opportunities for kindergarten through 12th grade via both public and private schools and a premier district library system with one of the highest annual circulation rates in the state. A broad spectrum of recreational and cultural activities is available within the City or within a short drive. A total of 12 major colleges and universities are within a 45-minute drive of the community. Quality health care is readily accessible through Botsford Hospital, which is a teaching osteopathic hospital associated with Michigan State University. A total of 12 major medical centers and hospitals are within a half-hour driving distance of the City. Many physicians affiliated with these medical facilities maintain their offices in Farmington Hills.

# CITY OF FARMINGTON HILLS



## City of Farmington Hills, Michigan

### Fund Organization Chart

<b>Governmental Funds</b>	
<b>General</b>	<b>Special Revenue</b>
General Fund	Major Road
	Local Road
	Public Safety
	Capital Improvement
	Community Development Block Grant (CDBG)
	Revolving Special Assessment
	Nutrition Grant
	Police Forfeiture
	Parks and Recreation Special Millage
	Golf Course Capital Improvement
	Deferred Special Assessment
	Justice Assistance Grant
<b>Debt Service</b>	
Building Authority	
Act 175 Debt 1992 Issue	
General Debt Service	
Special Assessments	
<b>Capital Projects</b>	
Special Assessments (SAD)	
<b>Proprietary Funds - Enterprise</b>	
Water and Sewer	Ice Arena
<b>Fiduciary Funds</b>	
<b>Pension and Other Employee Benefit Trust</b>	<b>Agency</b>
Employees' Retirement System	Tax Collections
Postretirement Health Care Finance Fund	General Agency
<b>Component Units</b>	
Economic Development Corporation	Brownfield Redevelopment Authority





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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Farmington Hills, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington Hills, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Farmington Hills, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington Hills, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and  
Members of the City Council  
City of Farmington Hills, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Farmington Hills, Michigan's basic financial statements. The management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules, combining balance sheets, and combining statements of revenue, expenditures, and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and retirement systems schedules of funding progress, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2008 on our consideration of the City of Farmington Hills, Michigan's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

November 20, 2008

# City of Farmington Hills, Michigan

## Management's Discussion and Analysis

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (deficit) and the statement of activities provide information about the activities of the City of Farmington Hills, Michigan (the "City") on a government-wide basis. They are designed to present a long-term view of the City's finances. Fund financial statements follow the above-mentioned statements and illustrate how the services provided by the City were financed in the short term, as well as what remains for future spending. Additionally, fund financial statements report the City's operations in more detail than the government-wide financial statements.

### The City of Farmington Hills as a Whole

The City's combined net assets increased 2.2 percent from a year ago, increasing from \$295.8 million to \$302.3 million. A review of the government activities, separate from the business-type activities, shows an increase of approximately \$5.5 million in net assets during fiscal year 2008. Business-type activities net assets shows an increase of \$1.0 million in net assets or 0.7 percent during fiscal year 2008. A significant portion of the increase was primarily due to increases in water and sewer revenues over 2007. In condensed format, the table below shows the comparison of net assets (in millions of dollars) as of June 30, 2008 to the prior year:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Current assets	\$ 49.6	\$ 46.5	\$ 55.8	\$ 55.8	\$ 105.4	\$ 102.3
Noncurrent assets:						
Restricted assets	0.5	0.2	-	-	0.5	0.2
Advances due from SWOCC	1.6	1.7	-	-	1.6	1.7
Capital assets	150.4	150.5	88.1	90.3	238.5	240.8
Total assets	202.1	198.9	143.9	146.1	346.0	345.0
<b>Liabilities</b>						
Current liabilities	6.5	12.0	1.6	4.8	8.1	16.8
Long-term liabilities	31.8	28.6	3.8	3.8	35.6	32.4
Total liabilities	38.3	40.6	5.4	8.6	43.7	49.2
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	125.1	122.1	84.3	85.6	209.4	207.7
Restricted	12.9	13.1	-	-	12.9	13.1
Unrestricted	25.8	23.1	54.2	51.9	80.0	75.0
Total net assets	<u>\$ 163.8</u>	<u>\$ 158.3</u>	<u>\$ 138.5</u>	<u>\$ 137.5</u>	<u>\$ 302.3</u>	<u>\$ 295.8</u>

# City of Farmington Hills, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets (in millions of dollars) for the years ended June 30, 2008 and 2007:

TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 13.6	\$ 10.4	\$ 23.0	\$ 21.9	\$ 36.6	\$ 32.3
Operating grants and contributions	6.9	7.2	-	-	6.9	7.2
Capital grants and contributions	2.2	0.6	1.2	1.3	3.4	1.9
General revenue:						
Property taxes	45.1	43.6	-	-	45.1	43.6
State-shared revenues	6.7	6.7	-	-	6.7	6.7
Gain on sale of capital assets	0.2	0.1	-	-	0.2	0.1
Interest	3.0	3.6	2.2	2.7	5.2	6.3
Other	0.3	0.2	-	-	0.3	0.2
Total revenue	78.0	72.4	26.4	25.9	104.4	98.3
<b>Program Expenses</b>						
General government	12.0	12.8	-	-	12.0	12.8
Public safety	29.9	28.6	-	-	29.9	28.6
Public works	16.9	16.1	-	-	16.9	16.1
Community and economic development	2.6	2.5	-	-	2.6	2.5
Recreation and culture	9.2	8.7	-	-	9.2	8.7
Interest on long-term debt	1.2	1.1	-	-	1.2	1.1
Water and sewer	-	-	24.6	26.5	24.6	26.5
Ice arena	-	-	1.5	1.5	1.5	1.5
Total program expenses	71.8	69.8	26.1	28.0	97.9	97.8
<b>Change in Net Assets Before Transfers</b>	6.2	2.6	0.3	(2.1)	6.5	0.5
<b>Transfers In (Out)</b>	(0.7)	(0.8)	0.7	0.8	-	-
<b>Change in Net Assets</b>	5.5	1.8	1.0	(1.3)	6.5	0.5
<b>Net Assets - Beginning of year</b>	158.3	156.5	137.5	138.8	295.8	295.3
<b>Net Assets - End of year</b>	<u>\$ 163.8</u>	<u>\$ 158.3</u>	<u>\$ 138.5</u>	<u>\$ 137.5</u>	<u>\$ 302.3</u>	<u>\$ 295.8</u>

# **City of Farmington Hills, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

The City's total governmental revenues increased by \$5.6 million or 7.7 percent. This was primarily attributed to an increase in charges for services (\$3.2 million or 30.8 percent) in 2008 over 2007. Also, the City had an increase in property tax revenue (\$1.5 million or 3.4 percent) due to an increase in taxable value. In addition, the City had an increase in capital grant and contribution revenue (\$1.6 million or 266.7 percent) due to a transfer from the Special Assessment Fund to the Local Road Fund for the City's share of special assessments.

Expenses increased by \$2.0 million or 2.9 percent over the last fiscal year. A major factor for this increase was in public safety (\$1.3 million or 4.5 percent). The increase was primarily due to staffing salaries to the police and fire departments. Another factor for this increase was in public works (\$0.8 million or 5.0 percent) due to staffing salaries and winter maintenance costs. Factors that decreased expenses in general government were primarily due to a \$2.0 million extra contribution to the City's healthcare plan in 2007 and no extra contribution in 2008. Other expenses increased, thus resulting in a net \$0.8 million or 6.3 percent decrease in general government.

During the year, the City continued to meet the actuarial required contributions for both the Employees' Retirement System pension and postretirement healthcare plan. The City continues to prefund postretirement healthcare benefits as well as retirement benefits so that future taxpayers will not have to bear the burden of currently earned benefits.

### **Business-type Activities**

The City's business-type activities are recorded in the Water and Sewer Fund and the Ice Arena Fund. The City provides water purchased from the City of Detroit Water System through a contract with Oakland County Department of Public Works, which operates the City's utility system. The system incurred a \$3.2 million operating loss in 2008, compared to a \$6.0 million loss in 2007. This reduction in loss from the prior year resulted from an increase of \$1.1 million or 5.0 percent in system revenue (charges for services) while operating expenses decreased \$1.7 million or 7 percent compared to 2007. This loss was primarily offset by investment income decreasing by \$0.5 million or 19.5 percent due to decreasing interest rates during 2007-2008. Debt service charges, tap fees, and capital charges, slightly higher than 2007, also contributed to reducing the loss. The City manages its Ice Arena Fund like a business enterprise, with revenue generated by the arena contributing to operational costs as well as funding principal and interest payments on \$6 million in bonds previously sold to construct the arena. In 2008 and 2007, the City's General Fund made contributions to resolve expected deficits in unrestricted net assets in the Ice Arena Fund. The amounts contributed totaled \$125,000 and \$170,000 for 2008 and 2007, respectively. Overall, in 2008, business-type activities net assets increased \$1.0 million or 0.7 percent.

# **City of Farmington Hills, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **The City's Funds**

An analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information on the most significant funds, not the City as a whole. In addition to state legislative requirements to maintain separate funds for Act 51 major and local road money, the City Council creates funds to administer certain dedicated dollars and demonstrate accountability to the citizens for special tax millages voted by the citizens and earmarked bond proceeds. The City's major funds for fiscal year 2008 include the General Fund, the Major Roads Fund, the Local Roads Fund, the Capital Improvement Fund, the Special Assessment Debt Service Fund, and the SAD Capital Projects Fund. Infrastructure improvements in the major funds category include local road resurfacing, major road expansion and resurfacing, and the purchase of computer equipment.

The primary reason for the General Fund's fund balance increase of \$0.26 million or 1.4 percent is primarily attributable to an increase of \$1.1 million or 3.5 percent more than 2007 in property tax revenue. Also, in 2008, there was an increase in operating expenditures of \$3.0 million or 6.1 percent due to the \$2.8 million increase in transfers out including a transfer to the Capital Improvement Fund of \$3.0 million for the City Hall Revitalization Project. This resulted in \$1.22 million or 82.7 percent smaller net change in fund balance in 2008 than in 2007. The significant increase in fund balance of \$2.7 million or 47.7 percent in the Capital Improvement Fund was primarily due to the aforementioned \$3.0 million transfer from the General Fund. The significant decrease in the fund balance of \$0.3 million or 54.6 percent in the Local Roads Fund and the decrease of \$0.8 million or 21.3 percent in the Major Roads Fund is due to budgeted local road projects and maintenance requiring funds that were more than the current year revenue sources provided. The decrease in the fund balance of \$0.3 million or 9.2 percent in the Special Assessments Debt Service Fund is due to normal payments by residents and businesses in a special assessment district and debt payments by the City.

# **City of Farmington Hills, Michigan**

## **Management's Discussion and Analysis (Continued)**

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### **General Fund Budgetary Highlights**

The City administration and City Council continuously monitor and amend the budget to reflect unanticipated events that occur during the year. The major changes during fiscal year 2008 were \$1.1 million more in property taxes due to taxable value increases in the City and an increase of \$0.3 million in city fees. These changes were a result of the aforementioned increased taxable value, continued efforts on the part of the City to evaluate and price its services appropriately, and the use of grants where available. At year end, the actual General Fund revenues came in approximately \$496,000 over the amended budget and expenses came in approximately \$1.3 million under the amended budget. The unfavorable variance in City Council was due to membership expenses exceeding the amended budget. The unfavorable variance in corporation counsel was due to underbudgeting in prosecution and court costs. The unfavorable variance in public works general refuse removal costs was due to slightly higher vendor costs than expected. The unfavorable variance in parks and recreation was due to greater participation in activities offered by the department which was partially offset by additional revenues. The City completed fiscal year 2008 with a fund balance of approximately \$1.8 million over what was forecasted in the amended budget.

### **Capital Asset and Debt Administration**

On June 30, 2008, the City had \$238.5 million in total net capital assets ranging from land, buildings, equipment, technology equipment, and water and sewer lines. The value of infrastructure assets, net of depreciation, included in this report is \$135.7 million (see Note 4 of the notes to financial statements for additional information).

Debt reported in these financial statements is related to the construction of the above-mentioned infrastructure assets and is reported as a liability on the statement of net assets (deficit) (see Note 6 of the notes to financial statements for additional information).

# **City of Farmington Hills, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budgets and Rates**

The City's tax rate was stable for eight years through 2005 at approximately 10.2 mills. Due to the passage of a dedicated library millage, the tax rate for fiscal year 2006 was reduced by 0.70 mills to 9.5221 mills. For fiscal year 2007, the tax rate was raised to 10.0216 due to the implementation of the 0.5 public safety millage increase, reduced by the Headlee Amendment to 0.4995 mills, which was passed by a public vote in November 2003. The 2008 tax rate remained the same at 10.0216 mills. The City's tax base has leveled off. The reduction in the tax base is 0.5 percent for fiscal year 2009. Our state equalized value (SEV) will be \$4.74 billion, which is \$332 million more than our taxable value. This is significant because taxes are based on taxable value, not SEV. The tax base is well diversified with residential accounting for 66 percent, commercial 21 percent, industrial 6 percent, and personal property 7 percent. Tax base diversification is further demonstrated by the fact that the top 20 taxpayers combined account for less than 10 percent of the tax roll. Taxes account for 61 percent of General Fund revenues. State-shared revenue, which amounts to 12 percent of the fiscal year 2009 General Fund budget, remains in critical condition and is forecasted to be at \$6.3 million, down from \$8.1 million received in fiscal year 2002. Despite this expectation, the fiscal year 2009 General Fund budget is balanced.

On the expense side, the City operates with a relatively small labor force and low personnel costs. The only abnormal cost increases are projected in healthcare costs both for current employees and future retirees as well as pension costs. The City will continue to adjust expenditures in fiscal year 2009 to match revenue projections as they are revised.

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we invite you to contact the administrative offices at City Hall.



# City of Farmington Hills, Michigan

## Statement of Net Assets (Deficit) June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 41,723,877	\$ 47,397,927	\$ 89,121,804	\$ 679,211
Receivables:				
Customers	-	7,237,341	7,237,341	-
Special assessments	3,733,394	-	3,733,394	-
Accrued interest and other	320,382	27,419	347,801	-
Due from other governmental units:				
Component units	4,659	400,000	404,659	-
Others	3,484,490	-	3,484,490	-
Advances due from SWOCC (Note 11)	1,567,649	-	1,567,649	-
Internal balances (Note 5)	96,864	(96,864)	-	-
Inventories	715,604	-	715,604	-
Restricted assets (Note 7)	45,906	-	45,906	-
Long-term advance to component unit	-	812,860	812,860	-
Capital assets (Note 4):				
Depreciated - Net	97,437,256	87,175,850	184,613,106	-
Not depreciated	52,999,493	930,289	53,929,782	-
Total assets	202,129,574	143,884,822	346,014,396	679,211
<b>Liabilities</b>				
Accounts payable	3,914,776	1,488,363	5,403,139	1,516
Accrued and other liabilities	2,318,633	110,603	2,429,236	-
Due to primary government	-	-	-	404,659
Due to other governmental units	133,401	-	133,401	-
Unearned revenue (Note 13)	116,302	-	116,302	-
Noncurrent liabilities (Note 6):				
Advance from primary government	-	-	-	812,860
Due within one year	5,715,224	1,010,366	6,725,590	-
Due in more than one year	26,130,971	2,773,406	28,904,377	-
Total liabilities	38,329,307	5,382,738	43,712,045	1,219,035
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	125,093,866	84,322,367	209,416,233	-
Restricted:				
Streets and highways	3,336,884	-	3,336,884	-
Debt service	5,301,605	-	5,301,605	-
Public safety	2,319,667	-	2,319,667	-
Parks and recreation	972,314	-	972,314	-
Capital projects	968,534	-	968,534	-
County drains	45,906	-	45,906	-
Unrestricted	25,761,491	54,179,717	79,941,208	(539,824)
Total net assets (deficit)	<u>\$ 163,800,267</u>	<u>\$ 138,502,084</u>	<u>\$ 302,302,351</u>	<u>\$ (539,824)</u>

# City of Farmington Hills, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 12,047,365	\$ 3,466,163	\$ 249,898	\$ 1,647,718
Public safety	29,864,624	1,766,051	426,426	-
Public works	16,809,048	3,430,421	5,848,083	556,641
Community and economic development	2,585,741	1,258,701	200	-
Recreation and culture	9,222,890	3,631,709	434,660	-
Interest on long-term debt	1,206,196	-	-	-
Total governmental activities	71,735,864	13,553,045	6,959,267	2,204,359
Business-type activities:				
Water and sewer	24,627,043	21,536,181	-	1,206,593
Ice arena	1,528,682	1,456,179	-	-
Total business-type activities	26,155,725	22,992,360	-	1,206,593
Total primary government	<b>\$ 97,891,589</b>	<b>\$ 36,545,405</b>	<b>\$ 6,959,267</b>	<b>\$ 3,410,952</b>
Component units:				
Economic Development Corporation	\$ 54,614	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	110,091	-	-	-
Total component units	<b>\$ 164,705</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
General revenues:				
Property taxes				
State-shared revenues (unrestricted)				
Unrestricted investment earnings				
Gain on disposal				
Miscellaneous				
Transfers				
Total general revenues and transfers				
<b>Change in Net Assets</b>				
<b>Net Assets (Deficit) - Beginning of year</b>				
<b>Net Assets (Deficit) - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2008**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (6,683,586)	\$ -	\$ (6,683,586)	\$ -
(27,672,147)	-	(27,672,147)	-
(6,973,903)	-	(6,973,903)	-
(1,326,840)	-	(1,326,840)	-
(5,156,521)	-	(5,156,521)	-
(1,206,196)	-	(1,206,196)	-
(49,019,193)	-	(49,019,193)	-
-	(1,884,269)	(1,884,269)	-
-	(72,503)	(72,503)	-
-	(1,956,772)	(1,956,772)	-
(49,019,193)	(1,956,772)	(50,975,965)	-
-	-	-	(54,614)
-	-	-	(110,091)
-	-	-	(164,705)
45,132,374	-	45,132,374	545,481
6,683,814	-	6,683,814	-
3,044,879	2,179,139	5,224,018	37,900
162,230	-	162,230	-
251,130	-	251,130	1,100
(746,700)	746,700	-	-
54,527,727	2,925,839	57,453,566	584,481
5,508,534	969,067	6,477,601	419,776
158,291,733	137,533,017	295,824,750	(959,600)
<b>\$ 163,800,267</b>	<b>\$ 138,502,084</b>	<b>\$ 302,302,351</b>	<b>\$ (539,824)</b>

# City of Farmington Hills, Michigan

	Major			
	General	Major Road	Local Road	Capital Improvement
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 17,262,007	\$ 2,319,424	\$ 247,724	\$ 8,644,608
Receivables:				
Special assessments	-	-	-	-
Other governmental units:				
Component units	4,659	-	-	-
Other	1,295,882	1,953,101	223,099	-
Accrued interest and other	293,744	-	11,804	10,208
Due from other funds (Note 5)	1,708,440	4,508	1,654,615	-
Advances due from Southwestern Oakland Cable Commission (Note 11)	1,567,649	-	-	-
Total assets	<u><b>\$ 22,132,381</b></u>	<u><b>\$ 4,277,033</b></u>	<u><b>\$ 2,137,242</b></u>	<u><b>\$ 8,654,816</b></u>
<b>Liabilities and Fund Balances (Deficit)</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,394,254	\$ 464,749	\$ 1,285,087	\$ 205,572
Accrued and other liabilities	2,061,866	-	-	-
Due to other funds	128	765,908	561,647	-
Deferred revenue (Note 13)	-	-	-	-
Total liabilities	3,456,248	1,230,657	1,846,734	205,572
<b>Fund Balances (Deficit)</b>				
Reserved for:				
Long-term advances	1,567,649	-	-	-
Encumbrances	250,284	-	-	-
Unreserved:				
Designated (Note 12):				
General Fund	7,242,473	-	-	-
Special Revenue Funds	-	3,046,376	290,508	8,449,244
Debt Service Funds	-	-	-	-
Undesignated	9,615,727	-	-	-
Total fund balances (deficit)	<u>18,676,133</u>	<u>3,046,376</u>	<u>290,508</u>	<u>8,449,244</u>
Total liabilities and fund balances (deficit)	<u><b>\$ 22,132,381</b></u>	<u><b>\$ 4,277,033</b></u>	<u><b>\$ 2,137,242</b></u>	<u><b>\$ 8,654,816</b></u>

**Governmental Funds  
Balance Sheet  
June 30, 2008**

Funds

Special Assessments Debt Service	SAD Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,198,467	\$ -	\$ 10,051,647	\$ 41,723,877
1,477,877	2,255,517	-	3,733,394
-	-	-	4,659
-	-	8,229	3,480,311
-	-	8,805	324,561
-	-	128	3,367,691
-	-	-	1,567,649
<b>\$ 4,676,344</b>	<b>\$ 2,255,517</b>	<b>\$ 10,068,809</b>	<b>\$ 54,202,142</b>
\$ 1,347	\$ 269,868	\$ 293,899	\$ 3,914,776
-	-	-	2,061,866
-	1,017,115	926,029	3,270,827
1,477,877	2,255,517	116,302	3,849,696
1,479,224	3,542,500	1,336,230	13,097,165
-	-	-	1,567,649
-	-	-	250,284
-	-	-	7,242,473
-	-	8,105,971	19,892,099
3,197,120	-	626,608	3,823,728
-	(1,286,983)	-	8,328,744
3,197,120	(1,286,983)	8,732,579	41,104,977
<b>\$ 4,676,344</b>	<b>\$ 2,255,517</b>	<b>\$ 10,068,809</b>	<b>\$ 54,202,142</b>

# City of Farmington Hills, Michigan

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## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Deficit) June 30, 2008

<b>Total Fund Balances of Governmental Funds</b>	\$ 41,104,977
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Amounts reported for governmental activities in the statement of net assets (deficit) are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	150,436,749
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Long-term receivables such as special assessments are expected to be collected over several years in the governmental funds and are not available to pay for current year expenditures	3,733,394
--	-----------

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Bonds payable	(25,342,883)
Accrued interest payable	(256,767)
Compensated absences	(6,253,312)
Due to 47th District Court	(133,401)
General liability claims	(250,000)

Cash held by Oakland County for drain projects is not included as an asset in the governmental funds	45,906
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Inventories are not recorded as assets in the governmental funds	715,604
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<b>Net Assets of Governmental Activities</b>	<b><u>\$ 163,800,267</u></b>
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# City of Farmington Hills, Michigan

	Major			
	General	Major Road	Local Road	Capital Improvement
<b>Revenue</b>				
Property taxes	\$ 31,539,600	\$ -	\$ -	\$ 2,114,881
Intergovernmental revenue:				
Federal	-	239,607	-	-
State	7,111,737	4,264,543	1,361,509	-
Other	211,653	-	-	-
Special assessments	-	-	-	-
Charges for services	8,123,042	-	-	-
Fines and forfeitures	2,667,589	-	-	-
Investment and interest income	1,766,134	96,848	19,009	264,672
Miscellaneous revenue	328,913	-	-	297,600
Total revenue	51,748,668	4,600,998	1,380,518	2,677,153
<b>Expenditures</b>				
Current:				
General government	10,918,120	-	-	-
Public safety	22,480,837	-	-	-
Public works	6,771,021	5,068,048	2,453,731	-
Community and economic development	2,184,295	-	-	-
Recreation and culture	6,996,260	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	2,947,020
Debt service	-	-	-	-
Total expenditures	49,350,533	5,068,048	2,453,731	2,947,020
<b>Excess of Revenue Over (Under)</b>				
Expenditures	2,398,135	(467,050)	(1,073,213)	(269,867)
<b>Other Financing Sources (Uses)</b>				
Transfers in	982,670	349,399	724,328	3,000,000
Transfers out	(3,125,000)	(707,650)	-	-
Total other financing sources (uses)	(2,142,330)	(358,251)	724,328	3,000,000
<b>Net Change in Fund Balances</b>	255,805	(825,301)	(348,885)	2,730,133
<b>Fund Balances (Deficit) - Beginning of year</b>	18,420,328	3,871,677	639,393	5,719,111
<b>Fund Balances (Deficit) - End of year</b>	<u>\$ 18,676,133</u>	<u>\$ 3,046,376</u>	<u>\$ 290,508</u>	<u>\$ 8,449,244</u>

**Governmental Funds**  
**Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances (Deficit)**  
**Year Ended June 30, 2008**

Funds				
Special		Other		Total
Assessments	SAD Capital	Nonmajor		
Debt Service	Projects	Governmental	Governmental	
		Funds	Funds	
\$ -	\$ -	\$ 11,477,893	\$ 45,132,374	
-	-	794,613	1,034,220	
-	-	-	12,737,789	
-	-	-	211,653	
438,344	51,435	-	489,779	
-	-	-	8,123,042	
-	-	-	2,667,589	
257,762	-	640,454	3,044,879	
-	-	674,718	1,301,231	
696,106	51,435	13,587,678	74,742,556	
-	1,268,360	-	12,186,480	
-	-	6,204,894	28,685,731	
-	-	-	14,292,800	
-	-	303,784	2,488,079	
-	-	437,611	7,433,871	
12,180	-	-	12,180	
-	851	579,372	3,527,243	
965,528	69,207	3,246,485	4,281,220	
977,708	1,338,418	10,772,146	72,907,604	
(281,602)	(1,286,983)	2,815,532	1,834,952	
-	42,248	1,375,849	6,474,494	
(42,248)	-	(3,346,296)	(7,221,194)	
(42,248)	42,248	(1,970,447)	(746,700)	
(323,850)	(1,244,735)	845,085	1,088,252	
3,520,970	(42,248)	7,887,494	40,016,725	
<b>\$ 3,197,120</b>	<b>\$ (1,286,983)</b>	<b>\$ 8,732,579</b>	<b>\$ 41,104,977</b>	



# City of Farmington Hills, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2008**

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,088,252

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay expenditures	8,398,153
Depreciation expense - Net of adjustments	(8,336,762)

Governmental funds report inventory purchases as expenditures; in the statement of activities, these costs are expensed as used	(60,495)
---	----------

Revenue, such as special assessment and other revenue, reported in the statement of activities in previous years, did not provide current financial resources in the governmental funds until the current year	1,757,921
--	-----------

Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities	3,053,526
--	-----------

Repair and maintenance expenses paid for with restricted cash held by Oakland County are not included in governmental funds	(148,361)
---	-----------

Loss on disposal of capital assets is not included in governmental funds	(157,099)
--	-----------

The changes in liabilities for accrued interest payable, compensated absences, and general claims are recorded when incurred in the statement of activities:

General liability claims and other	413,000
Accrued interest payable	(47,709)
Due to 47th District Court	(133,401)
Compensated absences	(318,491)

**Change in Net Assets of Governmental Activities** \$ 5,508,534

# City of Farmington Hills, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2008

	Enterprise Funds		
	Water and Sewer Fund	Ice Arena Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 47,135,517	\$ 262,410	\$ 47,397,927
Receivables:			
Customers	7,237,341	-	7,237,341
Interest and other	17,059	10,360	27,419
Due from component units	400,000	-	400,000
Due from other funds	28,161	1,758	29,919
Total current assets	54,818,078	274,528	55,092,606
Due from component units (Note 5)	812,860	-	812,860
Capital assets (Note 4)	84,503,342	3,602,797	88,106,139
Total assets	140,134,280	3,877,325	144,011,605
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	1,416,075	72,288	1,488,363
Accrued and other liabilities	10,018	100,585	110,603
Due to other funds	64,621	62,162	126,783
Current portion of long-term debt (Note 6)	650,366	360,000	1,010,366
Total current liabilities	2,141,080	595,035	2,736,115
Long-term debt - Net of current portion (Note 6)	209,656	2,563,750	2,773,406
Total liabilities	2,350,736	3,158,785	5,509,521
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	83,643,320	679,047	84,322,367
Unrestricted	54,140,224	39,493	54,179,717
Total net assets	<u>\$ 137,783,544</u>	<u>\$ 718,540</u>	<u>\$ 138,502,084</u>

# City of Farmington Hills, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

	Water and Sewer Fund	Ice Arena Fund	Total
<b>Operating Revenue</b>			
Sale of water	\$ 11,153,781	\$ -	\$ 11,153,781
Sewage disposal charges	9,131,462	-	9,131,462
Ice arena rentals	-	1,203,795	1,203,795
Food sales	-	173,171	173,171
Retail sales	-	6,879	6,879
Other	1,044,389	72,334	1,116,723
Total operating revenue	21,329,632	1,456,179	22,785,811
<b>Operating Expenses</b>			
Cost of water purchased	7,756,353	-	7,756,353
Cost of sewage treatment	7,292,698	-	7,292,698
Cost of ice arena sales	-	80,538	80,538
Operations and maintenance	3,530,556	1,037,204	4,567,760
Depreciation	3,299,805	240,482	3,540,287
General and administrative	2,679,497	-	2,679,497
Total operating expenses	24,558,909	1,358,224	25,917,133
<b>Operating (Loss) Income</b>	(3,229,277)	97,955	(3,131,322)
<b>Nonoperating Revenue (Expenses)</b>			
Investment income	2,174,707	4,432	2,179,139
Interest expense	(60,156)	(170,458)	(230,614)
Debt service charges	553,613	-	553,613
Other	(7,978)	-	(7,978)
Total nonoperating revenue (expenses)	2,660,186	(166,026)	2,494,160
<b>Loss - Before capital contributions and transfers</b>	(569,091)	(68,071)	(637,162)
<b>Capital Contributions</b>			
Capital grants	11,046	-	11,046
Capital charges	641,934	-	641,934
Tap fees	206,549	-	206,549
Total capital contributions	859,529	-	859,529
<b>Income (Loss) - Before transfers</b>	290,438	(68,071)	222,367
<b>Transfers In</b>	621,700	125,000	746,700
<b>Change in Net Assets</b>	912,138	56,929	969,067
<b>Net Assets - Beginning of year</b>	136,871,406	661,611	137,533,017
<b>Net Assets - End of year</b>	<u>\$ 137,783,544</u>	<u>\$ 718,540</u>	<u>\$ 138,502,084</u>

# City of Farmington Hills, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Enterprise Funds		
	Water and Sewer Fund	Ice Arena Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 20,886,471	\$ 1,479,141	\$ 22,365,612
Payments to suppliers	(23,623,741)	(499,526)	(24,123,267)
Payments to employees	-	(579,861)	(579,861)
Net cash (used in) provided by operating activities	(2,737,270)	399,754	(2,337,516)
<b>Cash Flows from Noncapital Financing Activities -</b>			
Transfers from other funds	621,700	125,000	746,700
<b>Cash Flows from Capital and Related Financing Activities</b>			
Collection of debt service and capital charges	1,195,547	-	1,195,547
Purchase of capital assets	(1,324,944)	-	(1,324,944)
Principal and interest paid on capital debt	(646,787)	(502,958)	(1,149,745)
Collections on advance to component unit	390,668	-	390,668
Grants	11,046	-	11,046
Tap-in fees	206,549	-	206,549
Net cash used in capital and related financing activities	(167,921)	(502,958)	(670,879)
<b>Cash Flows from Investing Activities - Interest received on investments</b>	2,174,707	4,432	2,179,139
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(108,784)	26,228	(82,556)
<b>Cash and Cash Equivalents - Beginning of year</b>	47,244,301	236,182	47,480,483
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 47,135,517</b>	<b>\$ 262,410</b>	<b>\$ 47,397,927</b>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>			
Operating (loss) income	\$ (3,229,277)	\$ 97,955	\$ (3,131,322)
Nonoperating expense - Other	(7,978)	-	(7,978)
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	3,299,805	240,482	3,540,287
Changes in assets and liabilities:			
Receivables	(360,912)	22,962	(337,950)
Due to/from other funds	(74,271)	14,072	(60,199)
Accounts payable	(212,492)	31,908	(180,584)
Accrued and other liabilities	(2,152,145)	(7,625)	(2,159,770)
Net cash (used in) provided by operating activities	<b>\$ (2,737,270)</b>	<b>\$ 399,754</b>	<b>\$ (2,337,516)</b>

# City of Farmington Hills, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2008

	Pension and Other Employee Benefit Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 12,041,765	\$ 4,961,777
Investments:		
Pooled funds	37,872,651	-
U.S. government securities	5,086,882	-
U.S. agency mortgage-backed securities	642,997	-
Mortgage/Asset-backed securities	14,600,797	-
Corporate bonds and securities	6,050,144	-
Common stocks	75,886,395	-
Receivables - Other	436,158	-
Total assets	152,617,789	<u>\$ 4,961,777</u>
<b>Liabilities</b>		
Performance bonds and deposits	-	\$ 4,018,622
Account payable	1,276,742	-
Due to other governmental units	-	943,155
Total liabilities	<u>1,276,742</u>	<u>\$ 4,961,777</u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u>\$ 151,341,047</u>	

# City of Farmington Hills, Michigan

## **Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2008**

	Pension and Other Employee Benefit Trust Funds
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 4,397,849
Net decrease in fair value of investments	(5,894,239)
Investment expense	<u>(721,933)</u>
Net investment income (loss)	(2,218,323)
Contributions:	
Employer	6,827,006
Employee	<u>1,529,642</u>
Total contributions	<u>8,356,648</u>
Total additions	6,138,325
<b>Deductions</b>	
Benefit payments	5,250,038
Refunds of contributions	<u>274,560</u>
Total deductions	<u>5,524,598</u>
<b>Net Increase in Plan Net Assets</b>	613,727
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	
Beginning of year	<u>150,727,320</u>
End of year	<u><u>\$ 151,341,047</u></u>

# City of Farmington Hills, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2008

	Economic Development Corporation	Brownfield Redevelopment Authority	Total
<b>Assets - Cash and cash equivalents</b>	\$ 270,063	\$ 409,148	\$ 679,211
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	1,516	-	1,516
Due to primary government (Note 5)	4,659	400,000	404,659
Total current liabilities	6,175	400,000	406,175
Long-term liabilities - Due to primary government (Note 5)	-	812,860	812,860
Total liabilities	6,175	1,212,860	1,219,035
<b>Net Assets (Deficit) - Unrestricted</b>	<b>\$ 263,888</b>	<b>\$ (803,712)</b>	<b>\$ (539,824)</b>

# City of Farmington Hills, Michigan

## Component Units Statement of Activities Year Ended June 30, 2008

		Net Expense and Change in Net Assets (Deficit)		
	Expenses	Economic Development Corporation	Brownfield Redevelopment Authority	Total
Economic Development Corporation - Community and economic development	\$ 54,614	\$ (54,614)	\$ -	\$ (54,614)
Brownfield Redevelopment Authority - Public works	110,091	-	(110,091)	(110,091)
Total	<u>\$ 164,705</u>	(54,614)	(110,091)	(164,705)
General revenues:				
Taxes		-	545,481	545,481
Interest		11,962	25,938	37,900
Other		1,100	-	1,100
Total general revenues		13,062	571,419	584,481
Change in Net Assets		(41,552)	461,328	419,776
Net Assets (Deficit) - Beginning of year		305,440	(1,265,040)	(959,600)
Net Assets (Deficit) - End of year		<u>\$ 263,888</u>	<u>\$ (803,712)</u>	<u>\$ (539,824)</u>



# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2008

### Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Farmington Hills, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Farmington Hills, Michigan:

#### **Reporting Entity**

The City of Farmington Hills, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

**Blended Component Units** - The Farmington Hills Building Authority (the "Authority") is governed by a board that is appointed by the City Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The operations of the Authority are reported as a nonmajor Debt Service Fund.

**Discretely Presented Component Units** - The following component units are reported within the component units column in the combined financial statements. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component units do not issue separate financial statements.

- a. The Economic Development Corporation (the "Corporation") was created to encourage and assist commercial and industrial enterprises to locate and expand facilities and services to the City and its residents. The Corporation's governing body, which consists of nine individuals, is appointed by the City Council. In certain situations, members of the board of directors may be removed by a majority of the City Council. Complete financial statements for the Economic Development Corporation can be obtained from the administrative office at 31555 Eleven Mile Road, Farmington Hills, MI 48336.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2008

### **Note I - Summary of Significant Accounting Policies (Continued)**

- b. The Brownfield Redevelopment Authority was created to facilitate the implementation of plans for the identification, treatment, and revitalization of environmentally distressed areas within the City designated as Brownfield Redevelopment Zones. The Brownfield Redevelopment Authority's governing board of directors, consisting of nine members, is appointed by the mayor subject to approval by the City Council. In certain situations, members of the board of directors may be removed by action of the City Council. Complete financial statements for the Brownfield Redevelopment Authority can be obtained from the administrative office at 31555 Eleven Mile Road, Farmington Hills, MI 48336.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the discretely presented component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2008

### Note 1 - Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Major Roads Fund** - The Major Roads Fund accounts for the construction, maintenance, and repairs of all streets classified as "major roads" within the City. Financing is provided primarily by state-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

**Local Roads Fund** - The Local Roads Fund accounts for the construction, maintenance, and repairs of all streets classified as "local roads" within the City. Financing is provided primarily by state-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

**Capital Improvement Fund** - The Capital Improvement Fund accounts for projects and equipment acquisitions in excess of \$25,000 financed by a portion of the millage from within the City Charter millage cap, allocated for this purpose by the City Council.

**Special Assessments Debt Service Fund** - The Special Assessments Debt Service Fund is used to accumulate special assessment collections to be used to pay debt service costs for bonds issued for specific local improvements that benefit property owners.

**SAD Capital Projects Fund** - The SAD Capital Projects Fund is used to account for the construction activity for local improvements that benefit property owners.

The City reports the following major Enterprise Funds:

**Water and Sewer Fund** - The Water and Sewer Fund accounts for the activity of the water distribution and sewage collection systems administered by Oakland County.

**Ice Arena Fund** - The Ice Arena Fund accounts for the operations and maintenance of the City's ice arena. User fees provide the funding needed to operate and maintain the arena.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2008

### **Note I - Summary of Significant Accounting Policies (Continued)**

Additionally, the City reports the following fund types:

**Pension and Other Employee Benefit Trust Funds** - The Pension and Other Employee Benefit Trust Funds account for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.

**Agency Funds** - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments and have no measurement focus. They record primarily tax collections received and remitted to other units of government (the county, community college, school district, etc.), as well as building bonds and deposits, held for temporary periods.

#### **Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. The agency funds have no measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The component unit government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The component unit fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. There are no differences between the economic resources measurement focus and the current financial resources measurement focus; therefore, separate financial statements have not been presented.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2008

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments collected in the current fiscal period, and interest. All other revenue items are considered available only when cash is received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private sector standards of accounting issued before December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989 for its Enterprise Funds.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2008

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Assets, Liabilities, and Net Assets or Equity

**Cash and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Property Taxes** - Property taxes are assessed as of December 31. The related property taxes are billed on July 1 of the following year and become a lien at that time. These taxes are payable at the City until August 31 without penalty. The final collection date by the city treasurer is February 28 before they are added to the county tax rolls.

The 2007 taxable valuation of the City totaled approximately \$4,438,529,000, on which ad valorem taxes levied consisted of 7.5488 mills for the City's operating purposes, .4882 mills for parks and recreation, .5082 mills for refuse, and 1.4764 mills for public safety. The ad valorem taxes levied, net of related captures, raised approximately \$33,291,000 for operations, \$2,153,000 for parks and recreation, \$2,249,000 for refuse, and \$6,513,000 for public safety. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as taxes receivable - current or as tax revenue.

**Inventories** - Inventories are valued at cost, on a first-in, first-out basis, which approximates market value. Inventories of governmental funds are recorded as expenditures when purchased.

**Restricted Assets** - Restricted assets include amounts on deposit with Oakland County being held for the construction, maintenance, and related debt service of storm drains within the City.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2008

### Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Drains	50 years
Roads and sidewalks	20 to 50 years
Land improvements	15 to 30 years
Buildings and building improvements	30 years
Vehicles	3 to 5 years
Machinery and equipment	7 to 20 years
Office equipment and furniture	5 to 7 years
Water and sewer distribution systems	40 to 50 years

**Compensated Absences** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation, sick, and personal pay as it is earned. A liability for these amounts is reported in governmental funds as it comes due for payment, generally when the time is taken off or employees terminate.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2008

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Stewardship, Compliance, and Accountability**

The City adopts a formal budget for the General Fund and all Special Revenue and Debt Service Funds. By February 1 of each year, all department heads submit spending requests to the finance director so that a budget may be prepared. The proposed budget is adopted no later than the first regular Council meeting in June. The City Council must approve any budget amendments. During the year, the budget was amended in a legally permissible manner.

The budget is adopted on an activity basis. Although spending estimates are produced for each line item, budgetary control is exercised at the activity level. The city manager is authorized to transfer budgeted amounts within budgetary centers (activity); however, any revisions that alter the total expenditures of any budgetary expenditure (activity) must be approved by the City Council. Expenditures at this level in excess of budget appropriation are a violation of Michigan law. Encumbrances represent commitments related to unperformed contracts (or purchase orders) for goods or services. Encumbrances are not included as expenditures or liabilities; the amount of encumbrances outstanding at June 30, 2008 for all funds is not significant.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. Comparison schedules are presented on the same basis of accounting used in preparing the adopted budget.

The budget information for revenue and expenditures presented for the General Fund, Special Revenue Funds, and Debt Service Funds is a summarization of the actual adopted budget. Individual amendments were not material in relation to the original appropriations that were adopted. Budget appropriations lapse at year end; encumbrances are not included as expenditures. A comparison of the adopted budget with the actual revenue and expenditures for the year is presented as required supplemental information.



# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2008

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

Due to the volume of individual Special Assessment Funds maintained by the City, the activity for the funds has been presented on a combined basis in the SAD Capital Projects Fund and the Special Assessment Debt Service Fund for financial statement purposes. In accordance with State of Michigan law, the City maintains separate funds for all special assessment districts.

#### Excess of Expenditures Over Appropriations in Budgeted Funds

There were no significant unfavorable budget variances during the year.

At June 30, 2008, the following special assessments capital projects districts have fund deficits:

Special Assessment Fund Number	Amount
321	\$ 33,981
323	100,246
324	470,909
325	509,278
326	206,550
Total	<u>\$ 1,320,964</u>

The special assessment deficits are the result of special assessment bonding (financing) not being used to fund the projects. When the special assessment receivable is collected in ensuing years, revenue will be recognized and the deficits are a result of using other city resources to finance the projects, rather than issue debt.

In addition, the Brownfield Redevelopment Authority has a deficit of \$803,712 at June 30, 2008. The deficit is the result of expenditures incurred that have been financed through borrowings from the Water and Sewer Fund. These borrowings will be repaid through the collection of tax increment revenue in future periods.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2008

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

**State Construction Code Act** - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall - July 1, 2007		\$ (2,410,944)
Current year building permit revenue		887,159
Related expenses:		
Direct costs	\$ 1,374,223	
Estimated indirect costs	<u>272,351</u>	
Total construction code expenses		<u>1,646,574</u>
Cumulative shortfall - June 30, 2008		<u>\$ (3,170,359)</u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Pension Trust Fund and Retiree Health Care Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2008

### **Note 3 - Deposits and Investments (Continued)**

The City has designated 20 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments allowable under the state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy strives to minimize custodial credit risk by prequalifying the financial institutions, broker/dealers, and intermediaries with which the City does business. At year end, the City had \$74,684,002 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### **Concentration of Credit Risk**

The City is authorized by the State's Pension Investment Act to invest in common stocks, real estate, and various other investment vehicles, subject to certain limitations. There were no investments during the year in any one organization (other than the U.S. government) in excess of 5 percent of plan net assets.

#### **Interest Rate Risk**

**City Policy** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2008

### Note 3 - Deposits and Investments (Continued)

**Retirement and Healthcare System Policy** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The retirement system's investment policy does not restrict investment maturities. The retirement system allows for actively managed investments in domestic large cap equities, domestic small/mid cap equities, domestic fixed income, and international equities. At year end, the average maturities of investments are as follows:

Investments	Fair Value	Weighted Average Maturity
<b>Primary Government</b>		
Bank investment pool	\$ 11,506,748	30 days
<b>Retirement System</b>		
Corporate bonds	5,487,782	15.19 years
Private placement corporate bonds	396,120	2.91 years
Collateralized mortgage obligations	2,470,001	9.83 years
Asset-backed securities	3,923,282	6.45 years
U.S. government securities	15,386,635	2.63 years

### Credit Risk

**City Policy** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

**Retirement and Healthcare System Policy** - The retirement system domestic equity investments allow for common stocks, real estate investment trusts, and securities convertible into the common stock of U.S.-based companies. Domestic fixed income investments allow for securities issued by the U.S. government and its agencies, U.S. corporations, Yankee bonds, notes, and securitized mortgages. Fixed income securities shall be rated BBB- or higher at time of purchase except for collateralized mortgage obligations (CMOs), asset-backed securities, and mortgage-backed securities that shall be rated AAA at time of purchase. International securities must be in American Depositary Receipts (ADRs) or American Depositary Shares (ADSs) or depository securities of non-U.S. based companies traded in the U.S. These investments are deemed allowable by the retirement and healthcare system investment policy. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2008

### Note 3 - Deposits and Investments (Continued)

Investments	Fair Value	Rating	Rating Organization
<b>Primary Government</b>			
Bank investment pool	\$ 3,558,137	AAA/VI +	Fitch
Bank investment pool	2,380,436	Aaa	Moody's
Bank investment pool	1,968,219	AI/PI	S&P/Moody's
Bank investment pool	11,506,748	Not rated	N/A
Bank investment pool	3,041,363	AAAM	S&P/Moody's
Bank investment pool	4,583,738	AAAM	S&P
<b>Retirement System</b>			
Collateralized mortgage obligations	1,085,611	AAA	S&P
Collateralized mortgage obligations	394,503	AA	S&P
Collateralized mortgage obligations	221,949	A	S&P
Collateralized mortgage obligations	767,938	Not rated	N/A
Asset-backed securities	1,439,898	AAA	S&P
Asset-backed securities	934,316	AA	S&P
Asset-backed securities	176,893	A+	S&P
Asset-backed securities	722,712	A	S&P
Asset-backed securities	170,597	A-	S&P
Asset-backed securities	253,427	BBB+	S&P
Asset-backed securities	225,439	Not rated	N/A
Corporate bonds	1,281,440	AAA	S&P
Corporate bonds	196,411	AA+	S&P
Corporate bonds	483,574	AA	S&P
Corporate bonds	466,839	AA-	S&P
Corporate bonds	500,062	A+	S&P
Corporate bonds	1,457,420	A	S&P
Corporate bonds	391,226	A-	S&P
Corporate bonds	743,870	BBB+	S&P
Corporate bonds	396,120	BBB	S&P
Corporate bonds	133,181	BBB-	S&P
FHLM	1,449,241	AAA	S&P
FNMA	8,850,512	AAA	S&P
Pooled investments	26,280,456	Not rated	N/A
<b>Health Care Fund</b>			
Pooled investments	11,592,195	Not rated	N/A

**Declines in Investment Values** - Subsequent to year end, the fair value of the City's investment portfolio (reflected in the pension systems and retiree healthcare funds) declined by approximately \$40,797,000, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2008

### Note 3 - Deposits and Investments (Continued)

**Risks and Uncertainties** - The City invests in various securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

### Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2007	Transfers	Additions	Disposals and Adjustments	Balance June 30, 2008
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 16,160,355	\$ -	\$ 205,691	\$ -	\$ 16,366,046
Right-of-way	31,561,930	-	-	-	31,561,930
Construction in progress	1,880,262	(63,924)	3,255,179	-	5,071,517
Subtotal	49,602,547	(63,924)	3,460,870	-	52,999,493
Capital assets being depreciated:					
Drains	17,206,941	-	-	-	17,206,941
Sidewalks	12,048,332	3,750	163,934	-	12,216,016
Major roads	47,589,648	-	1,335,954	-	48,925,602
Local roads	70,940,290	60,174	-	-	71,000,464
Land improvements	15,752,933	-	21,592	-	15,774,525
Buildings and improvements	47,261,532	-	78,193	13,801	47,325,924
Machinery and equipment	9,501,797	-	749,082	88,252	10,162,627
Vehicles	10,696,121	-	2,536,810	1,076,508	12,156,423
Office equipment	3,494,228	-	51,718	-	3,545,946
Subtotal	234,491,822	63,924	4,937,283	1,178,561	238,314,468
Accumulated depreciation:					
Drains	5,323,790	-	344,139	-	5,667,929
Sidewalks	6,432,843	-	350,225	-	6,783,068
Major roads	26,454,559	-	1,276,526	-	27,731,085
Local roads	55,542,455	-	1,903,659	-	57,446,114
Land improvements	7,882,054	-	888,791	-	8,770,845
Buildings and improvements	16,496,239	-	1,765,243	13,801	18,247,681
Machinery and equipment	6,104,945	-	747,307	22,063	6,830,189
Vehicles	6,888,163	-	884,294	985,598	6,786,859
Office equipment	2,436,864	-	176,578	-	2,613,442
Subtotal	133,561,912	-	8,336,762	1,021,462	140,877,212
Net capital assets being depreciated	100,929,910	63,924	(3,399,479)	157,099	97,437,256
Net capital assets	\$ 150,532,457	\$ -	\$ 61,391	\$ 157,099	\$ 150,436,749

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2008

### Note 4 - Capital Assets (Continued)

	Balance July 1, 2007	Transfers	Additions	Disposals and Adjustments	Balance June 30, 2008
<b>Business-type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 390,000	\$ -	\$ -	\$ -	\$ 390,000
Construction in progress	335,216	(566,872)	771,945	-	540,289
Subtotal	725,216	(566,872)	771,945	-	930,289
Capital assets being depreciated:					
Water distribution system	66,085,864	566,872	385,899	-	67,038,635
Sewage disposal system	94,966,366	-	167,100	-	95,133,466
Land improvements	587,754	-	-	-	587,754
Building and building improvements	4,965,664	-	-	-	4,965,664
Machinery and equipment	811,687	-	-	-	811,687
Office equipment and furniture	87,319	-	-	-	87,319
Subtotal	167,504,654	566,872	552,999	-	168,624,525
Accumulated depreciation:					
Water distribution system	31,950,803	-	1,417,928	-	33,368,731
Sewage disposal system	42,958,438	-	1,881,879	-	44,840,317
Land improvements	446,119	-	37,751	-	483,870
Building and building improvements	1,890,451	-	163,560	-	2,054,011
Machinery and equipment	575,413	-	39,015	-	614,428
Office equipment and furniture	87,164	-	154	-	87,318
Subtotal	77,908,388	-	3,540,287	-	81,448,675
Net capital assets being depreciated	89,596,266	566,872	(2,987,288)	-	87,175,850
Net capital assets	\$ 90,321,482	\$ -	\$ (2,215,343)	\$ -	\$ 88,106,139

Depreciation expense was charged to programs of the primary government as follows:

#### Governmental activities:

General government	\$ 997,173
Public safety	1,364,984
Public works	4,364,331
Community and economic development	4,736
Recreation and culture	1,605,538
Total governmental activities	<u>\$ 8,336,762</u>

#### Business-type activities:

Water and sewer	\$ 3,299,805
Ice arena	240,482
Total business-type activities	<u>\$ 3,540,287</u>

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2008

### Note 5 - Interfund Receivables, Payables, and Transfers

The interfund balances are comprised of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Major Roads Fund	\$ 365,908
	Local Roads Fund	561,647
	SAD Capital Projects Fund	19,213
	Nonmajor governmental funds	634,889
	Ice Arena Fund	62,162
	Water and Sewer Fund	64,621
	Total General Fund	1,708,440
Major Roads Fund	Nonmajor governmental funds	4,508
Local Roads Fund	Major Roads Fund	400,000
	SAD Capital Projects Fund	997,902
	Nonmajor governmental funds	256,713
	Total Local Roads Fund	1,654,615
Nonmajor governmental funds	General Fund	128
	Total governmental funds	\$ 3,367,691
Water and Sewer Fund	Nonmajor governmental funds	\$ 28,161
Ice Arena Fund	Nonmajor governmental funds	\$ 1,758

Interfund balances due from component units are comprised of following:

Receivable Fund	Payable Fund	Amount
Water and Sewer Fund*	Brownfield Redevelopment Authority	\$ 1,212,860
General Fund	Economic Development Corporation	4,659
	Total component units	\$ 1,217,519

\* Interest is charged at 7 percent. A total of \$400,000 is due in the next year and the remaining \$812,860 is due in more than one year.

These balances result from the time lag between the dates that good and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.



# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2008

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Capital Improvement Fund	\$ 3,000,000 (3)
	Ice Arena Fund	<u>125,000 (1)</u>
	Total General Fund	3,125,000
Major Roads Fund	Local Roads Fund	400,000 (3)
	Nonmajor governmental funds	<u>307,650 (2)</u>
	Total Major Roads Fund	707,650
Special Assessment Debt Service Fund	Special Assessment Capital Project Fund	42,248 (3)
Nonmajor governmental funds	General Fund	982,670 (1)
	Major Roads Fund	349,399 (2)
	Local Roads Fund	324,328 (3)
	Water and Sewer Fund	621,700 (3)
	Nonmajor governmental funds	<u>1,068,199 (2)</u>
	Total nonmajor governmental funds	<u>3,346,296</u>
	Total transfers	<u>\$ 7,221,194</u>

(1) Transfer of discretionary funds to be used for the benefit of the community

(2) Transfer for debt service payments

(3) Transfer for capital improvements

### Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual obligations are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties which benefit from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of a district) are received.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2008

### Note 6 - Long-term Debt (Continued)

Long-term obligation activity is summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental activities:							
General obligation bonds:							
Building Authority Bonds:							
District Court Building:							
Amount of issue - \$11,000,000	4.20% -	\$400,000 -	\$ 2,900,000	\$ -	\$ (400,000)	\$ 2,500,000	\$ 400,000
Maturing through 2021	5.00%	\$995,000					
District Court Building Refunding Bonds, Series 2007:							
Amount of issue - \$6,555,000	4.00% -	\$685,000 -	6,555,000	-	-	6,555,000	-
Maturing through 2021	5.50%	\$985,000					
Building Authority Refunding Bonds, Series 2003:							
Amount of issue - \$2,910,000	2.50% -	\$165,000 -	2,240,000	-	(275,000)	1,965,000	265,000
Maturing through 2018	4.00%	\$265,000					
Michigan Transportation Fund Bonds:							
Amount of issue - \$3,150,000	-	-	300,000	-	(300,000)	-	-
Maturing through 2008							
Golf Course Capital Improvement:							
Amount of issue - \$8,200,000	3.00% -	\$150,000 -	8,050,000	-	(150,000)	7,900,000	150,000
Maturing through 2031	4.375%	\$550,000					
County contractual obligations:							
Minnow Pond Drainage District Refunding Bonds:							
Amount of issue - \$6,524,348	4.25% -	\$753,556	3,106,600	-	(758,419)	2,348,181	753,556
Maturing through 2011	4.50%	\$807,036					
Caddell Drain:							
Amount of issue - \$1,388,991	5.50% -	\$111,273 -	959,247	-	(122,784)	836,463	118,947
Maturing through 2014	5.875%	\$126,621					
Pebble Creek Drainage District:							
Amount of issue - \$1,508,845	5.00% -	\$185,216 -	790,562	-	(212,323)	578,239	198,770
Maturing through 2011	5.50%	\$212,323					
Special Assessment Bonds:							
District 265:							
Public Improvements:							
Amount of issue - \$1,885,000	5.70% -	\$35,000 -	185,000	-	(50,000)	135,000	50,000
Maturing through 2011	5.90%	\$50,000					
Districts 263, 264, 266, 267, 268, 269, 273:							
Public Improvements:							
Amount of issue - \$915,000	5.30% -	\$15,000 -	65,000	-	(25,000)	40,000	25,000
Maturing through 2010	5.40%	\$25,000					
Districts 278, 279, 281, 283, 284:							
Public Improvements:							
Amount of issue - \$2,155,000	4.25% -	\$25,000 -	405,000	-	(150,000)	255,000	100,000
Maturing through 2013	4.60%	\$100,000					

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2008

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental activities (Continued):							
Special Assessment Bonds (Continued):							
District 294:							
Public Improvements:							
Amount of issue - \$2,860,000	3.75% -	\$75,000 -	\$ 700,000	-	\$ (200,000)	\$ 500,000	\$ 200,000
Maturing through 2013	3.80%	\$200,000					
Districts 293, 295, 297, 290, 300:							
Public Improvements:							
Amount of issue - \$1,490,000	4.85% -	\$25,000 -	575,000	-	(100,000)	475,000	100,000
Maturing through 2014	5.30%	\$100,000					
Public Improvement Districts 306, 307, 308, 309, 310, 311:							
Amount of issue - \$1,585,000	2.75% -	\$150,000 -	840,000	-	(185,000)	655,000	180,000
Maturing through 2012	3.25%	\$180,000					
Districts 312, 314, and 315:							
Public Improvements:							
Amount of issue - \$1,050,000	.034% -	\$100,000 -	725,000	-	(125,000)	600,000	125,000
Maturing through 2013	3.15%	\$125,000					
Total bond obligations			28,396,409	-	(3,053,526)	25,342,883	2,666,273
Other long-term obligations:							
Estimated general liability claims			663,000	-	(413,000)	250,000	250,000
Compensated absences			5,934,821	2,959,122	(2,640,631)	6,253,312	2,798,951
Total other long-term obligations			6,597,821	2,959,122	(3,053,631)	6,503,312	3,048,951
Total governmental activities			34,994,230	2,959,122	(6,107,157)	31,846,195	5,715,224
Business-type activities:							
General obligation bonds:							
1998 Refunding Bonds:							
Amount of issue - \$4,495,000	4.10% -	\$360,000 -	3,500,000	-	(365,000)	3,135,000	360,000
Maturing through 2015	4.40%	\$500,000					
Less unamortized discount and deferred amount on refunding			(243,750)	32,500	-	(211,250)	-
County contractual obligations - Water and Sewer:							
Evergreen-Farmington Sewage Disposal System (Interceptor):							
Amount of issue - \$4,677,000	5.00%	\$452,612	854,935	-	(402,320)	452,615	452,615
Maturing through 2009							
Evergreen-Farmington Sewage Disposal System:							
Amount of issue - \$1,079,308	3.50%	\$105,684	105,684	-	-	105,684	-
Maturing through 2010							
Evergreen-Farmington Sewage Disposal System (Segments I and II):							
Amount of issue - \$843,418	4.75% -	\$103,972 -	311,017	-	(101,730)	209,287	105,315
Maturing through 2010	4.85%	\$105,315					

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2008

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Business-type activities (Continued):							
County contractual obligations - Water and Sewer (Continued):							
Evergreen-Farmington Sewage/Farmington Hills - Southfield (Continued):							
Evergreen-Farmington Permanent Meter and Interceptor:							
Rehabilitation Refunding Bonds:							
Amount of issue - \$590,392	4.00%	\$92,436	\$ 175,017	\$ -	\$ (82,581)	\$ 92,436	\$ 92,436
Maturing through 2009							
Total business-type activities			4,702,903	32,500	(951,631)	3,783,772	1,010,366
Total primary government			\$ 39,697,133	\$ 2,991,622	\$ (7,058,788)	\$ 35,629,967	\$ 6,725,590

Annual debt service requirements to maturity for the above bond obligations, excluding \$211,250 of unamortized discounts and deferred amounts on refunding, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 2,666,273	\$ 1,025,325	\$ 3,691,598	\$ 1,010,366	\$ 164,199	\$ 1,174,565
2010	2,510,789	929,478	3,440,267	639,656	116,545	756,201
2011	2,492,363	831,675	3,324,038	425,000	92,478	517,478
2012	1,421,273	733,558	2,154,831	465,000	73,671	538,671
2013-2017	6,347,185	2,865,103	9,212,288	1,455,000	97,455	1,552,455
2018-2022	5,630,000	1,485,444	7,115,444	-	-	-
2023-2027	2,150,000	699,656	2,849,656	-	-	-
2028-2032	2,125,000	189,766	2,314,766	-	-	-
Total	\$ 25,342,883	\$ 8,760,005	\$ 34,102,888	\$ 3,995,022	\$ 544,348	\$ 4,539,370

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At June 30, 2008, the City's portion of bonds outstanding that are considered defeased approximates \$15,930,000.

# City of Farmington Hills, Michigan

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## Notes to Financial Statements June 30, 2008

### **Note 6 - Long-term Debt (Continued)**

**No Commitment Debt** - The City has issued Variable Rate Demand Hospital Revenue and Refunding Bonds under state law which authorizes municipalities under certain circumstances to acquire and lease industrial sites, buildings, and equipment and lease them to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. As of June 30, 2008, there is approximately \$16,370,000 of no commitment debt outstanding.

### **Note 7 - Restricted Assets**

Restricted assets consist of funds held by the Oakland County Drain Commissioner on behalf of the City to be used for construction and maintenance of storm drains, including related debt service. Net assets have been restricted at June 30, 2008 for this amount.

### **Note 8 - Retirement Plan**

**Plan Description** - The City of Farmington Hills Employees' Retirement System (the "Plan") is a single-employer defined benefit pension plan that is administered by the City of Farmington Hills Employees' Retirement System Pension Board. Plan benefits accrue to all general, court, police, and fire employees who qualify under the Plan. The Plan provides retirement and disability benefits to plan members and their beneficiaries. In addition to providing pension benefits, the Plan provides healthcare benefits (in accordance with certain union contracts) for plan members if they reach the normal retirement age while working for the City (see Note 9). Prior to January 1, 2005, accounts of the City of Farmington Hills Employees' Retirement System were maintained on a calendar year basis. As of January 1, 2005, the retirement system's year end was changed to June 30, the same fiscal year end as the City. The amounts included in the combined financial statements for this fund are as of June 30, 2008. The Plan issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the City of Farmington Hills Employees' Retirement System at 31555 W. Eleven Mile Road, Farmington Hills, MI 48336.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2008

### Note 8 - Retirement Plan (Continued)

**Basis of Accounting** - The Plan uses the accrual method of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefit payments and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative costs of the Plan are paid by the General Fund.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units. Generally, plan members are required to contribute 4.5 percent of base, longevity, and holiday (for certain groups) earnings for pension benefits, plus an additional 1.5 percent for health insurance. The funding policy provides for periodic employer contributions at actuarially determined rates.

Employer contributions represented approximately 15.64 percent of covered payroll as reported on June 30, 2007.

**Annual Pension Costs** - For the year ended June 30, 2008, the City's annual pension cost of \$3,775,618 for the Plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2006 using the entry actual cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.0 percent per year, (c) additional projected salary increases ranging from 4.0 percent to 24.0 percent per year, depending on age and employee group, attributable to seniority/merit, and (d) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is over 30 years.

**Reserves** - As of June 30, 2008, the Plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 15,151,803
Reserve for retired benefit payments	32,820,937

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2008

### Note 8 - Retirement Plan (Continued)

Three-year trend information is as follows:

	Fiscal Year Ended		
	June 30, 2006	June 30, 2007	June 30, 2008
Annual pension costs (APC)	\$ 5,751,637 *	\$ 3,389,124	\$ 3,775,618
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None

\* As discussed above, this cost is for the 18-month period ended June 30, 2006.

	Actuarial Valuation		
	December 31 2004	June 30 2006	June 30 2007
Actuarial value of assets	\$ 93,046,559	\$ 101,041,990	\$ 109,839,894
Actuarial accrued liability (AAL) (entry age)	\$ 96,914,249	\$ 111,174,556	\$ 121,107,744
Unfunded AAL (UAAL)	\$ 3,867,690	\$ 10,132,566	\$ 11,267,850
Funded ratio (percent)	96.0%	90.9%	90.7%
Covered payroll	\$ 22,612,504	\$ 23,302,473	\$ 24,088,517
UAAL as a percentage of covered payroll	17.1%	43.5%	46.8%

### Note 9 - Postemployment Benefits

The City provides healthcare benefits to all full-time employees upon retirement or to individuals receiving system disability pensions, in accordance with various labor contracts. Currently, 108 individuals are eligible. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, which generally requires employee contributions of 1.5 percent of earnings not in excess of the employee wage base. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. As of January 1, 2005, the postemployment healthcare fund's year end was changed to June 30, the same fiscal year end as the City. The Plan issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the City of Farmington Hills Employees' Retirement System at 31555 W. Eleven Mile Road, Farmington Hills, MI 48336.

### **Note 9 - Postemployment Benefits (Continued)**

Expenditures for postemployment healthcare benefits are funded on an actuarial basis. The City's actuarial required contribution for the year ended June 30, 2008 was calculated as \$3,051,388. At June 30, 2007, the date of the most recent actuarial report, assets available for postemployment healthcare benefits totaled \$35,850,866, including amounts held by the City of Farmington Hills Employees' Retirement System and the Postretirement Health Care Finance Fund. The actuarial accrued liability, determined using the individual entry age actuarial cost method, totaled \$54,425,299 and the unfunded actuarial accrued liability totaled \$18,624,433.

**Actuarial Assumptions** - Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.0 percent per year, (c) additional projected salary increases ranging from 4.0 percent to 20.0 percent per year, depending on age and employee group, attributable to seniority/merit, and (d) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is over 26 years.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.



# **City of Farmington Hills, Michigan**

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## **Notes to Financial Statements June 30, 2008**

### **Note 10 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League Workers' Compensation Fund for workers' compensation claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general and auto liability, auto physical damage, and property loss claims. As of September 2005, the City has also assumed a significant amount of financial responsibility for its actual incurred medical claims cost, subject to certain insured limitations including \$50,000 per specific claim and approximately \$2.5 million in aggregate claims (prior to September 2005, the City purchased commercial insurance for medical claims). Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority (MMRMA) risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the MMRMA that the MMRMA uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. The City has elected to participate in the MMRMA stop-loss program, which limits the paid losses to \$898,000 for the most recent plan year.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2008

### Note 10 - Risk Management (Continued)

The City estimates the liability for medical and general claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustments expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These estimates are recorded in the General Fund and within the governmental activities column in the statement of net assets (deficit). Changes in the estimated liability for the past two fiscal years were as follows:

	2008	2007
Estimated liability - Beginning of year	\$ 1,343,652	\$ 1,772,100
Estimated claims incurred, including changes in estimates	4,122,525	3,438,060
Claim payments	<u>(4,652,177)</u>	<u>(3,866,508)</u>
Unpaid claims - End of year	<u>\$ 814,000</u>	<u>\$ 1,343,652</u>
Estimated liability for claims reported	\$ -	\$ 116,652
Estimated liability for claims incurred but not reported	<u>814,000</u>	<u>1,227,000</u>
Total estimated liability	<u>\$ 814,000</u>	<u>\$ 1,343,652</u>

A total of \$250,000 of the estimated liability for claims incurred but not reported is included as a general long-term liability in the governmental activities. The remaining liability of \$564,000 represents the accrual for claims incurred but not reported for medical claims and is recorded in accrued and other liabilities of the General Fund. The estimated liability for general claims is reported in accrued and other liabilities in the General Fund.

# **City of Farmington Hills, Michigan**

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## **Notes to Financial Statements June 30, 2008**

### **Note 11 - Joint Ventures**

The City participates in the Michigan 47th District Court Administration Fund with the City of Farmington and in the Southwest Oakland Cable Commission source with the cities of Farmington and Novi. The City provides approximately 87 percent of the funding for the Michigan 47th District Court Administration Fund. The Southwest Oakland Cable Commission currently does not receive a subsidy from the City.

During the years ended June 30, 2002 and 2001, the City advanced a total of \$2,218,226 to the Southwest Oakland Cable Commission for the acquisition of equipment and improvements to a new facility to be used in its operation. As of June 30, 2008, the total receivable is \$1,567,649. The advances will be repaid to the City in annual installments of approximately \$246,000, including interest at 7 percent, through 2017. Fund balance in the General Fund has been reserved for the advance since these amounts are not available for use to finance operations as of year end.

In addition, the City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (the "Recycling Authority"). The Recycling Authority is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, Wixom, and the Charter Township of Lyon. The joint venture receives its operating revenue from member contributions and miscellaneous income.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments of any of the above joint ventures in the near future.

Complete financial statements for the 47th District Court Administration Fund, Southwest Oakland Cable Commission, and Resource Recovery and Recycling Authority of Southwest Oakland County can be obtained from the administrative offices at 31555 Eleven Mile Road, Farmington Hills, MI 48336.

# City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2008

### Note 12 - Designated Fund Balance

The following is a summary of the unreserved fund balances of the major governmental funds with management's designations:

Designated for	General Fund	Major Road Fund	Local Road Fund	Capital Improvement Fund	Special Assessments Debt Service Fund	Other Nonmajor Governmental Funds
Subsequent year's expenditures	\$ 2,500,000	\$ 1,783,659	\$ 276,325	\$ 4,289,412	\$ -	\$ 948,627
Land acquisition, capital improvements, road construction, and drains	4,742,473	1,262,717	14,183	4,159,832	-	-
Debt service	-	-	-	-	3,197,120	626,608
Other	-	-	-	-	-	7,157,344
Total	<u>\$ 7,242,473</u>	<u>\$ 3,046,376</u>	<u>\$ 290,508</u>	<u>\$ 8,449,244</u>	<u>\$ 3,197,120</u>	<u>\$ 8,732,579</u>

### Note 13 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	\$ 3,733,394	\$ -
Grant payments received prior to meeting all eligibility requirements and other	-	116,302
Total	<u>\$ 3,733,394</u>	<u>\$ 116,302</u>

## **Required Supplemental Information**

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# City of Farmington Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 31,401,546	\$ 31,488,964	\$ 31,539,600	\$ 50,636
Business licenses and permits	18,600	17,475	21,043	3,568
Other licenses and permits	789,350	824,450	911,980	87,530
Grants	328,845	370,841	392,072	21,231
State-shared revenues	6,435,100	6,435,754	6,719,665	283,911
Fees	3,662,788	3,598,073	3,567,179	(30,894)
Sales	548,400	809,378	774,112	(35,266)
Fines and forfeitures	2,500,000	2,600,000	2,667,589	67,589
Interest earnings	1,950,000	1,750,000	1,766,134	16,134
Recreation user charges	3,351,334	3,357,968	3,389,294	31,326
Total revenue	50,985,963	51,252,903	51,748,668	495,765
<b>Other Financing Sources - Transfers in</b>	967,034	967,034	982,670	15,636
Total revenue and other financing sources	51,952,997	52,219,937	52,731,338	511,401
<b>Expenditures</b>				
General government:				
City Council	123,483	119,973	121,847	(1,874)
Public information	349,837	355,913	343,454	12,459
Boards and commissions	3,371,044	3,348,670	3,203,122	145,548
City administration	775,304	779,080	775,767	3,313
Finance department	2,227,948	2,162,615	2,118,492	44,123
Corporation counsel	521,330	560,330	599,450	(39,120)
Central services	1,201,714	1,111,907	1,117,243	(5,336)
City clerk	771,001	739,588	700,333	39,255
Support services	2,734,063	1,876,323	1,521,675	354,648
Human resources	424,823	426,277	416,737	9,540
Total general government	12,500,547	11,480,676	10,918,120	562,556
Public safety:				
Police	17,013,635	17,302,763	16,907,782	394,981
Fire	5,565,490	5,578,503	5,573,055	5,448
Total public safety	22,579,125	22,881,266	22,480,837	400,429
Public works:				
Administration	507,524	501,275	491,148	10,127
Road maintenance	2,373,867	2,363,562	2,252,152	111,410
Building maintenance	421,974	429,937	396,971	32,966
Engineering	1,950,736	1,903,057	1,837,164	65,893
Maintenance facility	1,225,712	1,222,539	1,206,569	15,970
General refuse removal	3,443,768	3,422,201	3,457,553	(35,352)
Public service reimbursement from road funds	(2,547,542)	(2,820,000)	(2,870,536)	50,536
Total public works	7,376,039	7,022,571	6,771,021	251,550

# City of Farmington Hills, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures</b> (Continued)				
Community and economic development	\$ 2,394,052	\$ 2,327,272	\$ 2,184,295	\$ 142,977
Parks and recreation	6,783,234	6,911,447	6,996,260	(84,813)
Total expenditures	51,632,997	50,623,232	49,350,533	1,272,699
<b>Other Uses</b> - Transfers out	3,125,000	3,125,000	3,125,000	-
Total expenditures and other uses	54,757,997	53,748,232	52,475,533	1,272,699
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(2,805,000)	(1,528,295)	255,805	1,784,100
<b>Fund Balances</b> - July 1, 2007	18,420,328	18,420,328	18,420,328	-
<b>Fund Balances</b> - June 30, 2008	<u>\$ 15,615,328</u>	<u>\$ 16,892,033</u>	<u>\$ 18,676,133</u>	<u>\$ 1,784,100</u>

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. Comparison schedules are presented on the same basis of accounting used in preparing the adopted budget.

# City of Farmington Hills, Michigan

	Major Road Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	6,608,683	7,633,984	4,504,150	(3,129,834)
Interest income	100,000	110,000	96,848	(13,152)
Miscellaneous revenue	384,000	384,100	-	(384,100)
Total revenue	7,092,683	8,128,084	4,600,998	(3,527,086)
<b>Expenditures</b>				
Public works	9,265,522	9,993,631	5,068,048	4,925,583
Capital outlay	-	-	-	-
Total expenditures	9,265,522	9,993,631	5,068,048	4,925,583
<b>Excess of Revenue Over (Under) Expenditures</b>	(2,172,839)	(1,865,547)	(467,050)	1,398,497
<b>Other Financing Sources (Uses)</b>				
Transfers in	407,900	547,542	349,399	(198,143)
Transfers out	(407,900)	(707,900)	(707,650)	250
Total other financing sources (uses)	-	(160,358)	(358,251)	(197,893)
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(2,172,839)	(2,025,905)	(825,301)	1,200,604
<b>Fund Balances - July 1, 2007</b>	3,871,677	3,871,677	3,871,677	-
<b>Fund Balances - June 30, 2008</b>	<u>\$ 1,698,838</u>	<u>\$ 1,845,772</u>	<u>\$ 3,046,376</u>	<u>\$ 1,200,604</u>



**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Major Special Revenue Funds**  
**Year Ended June 30, 2008**

Local Road Fund				Capital Improvement Fund			
Original Budget	Amended Budget	Actual	Variance with Amended Budget	Original Budget	Amended Budget	Actual	Variance with Amended Budget
\$ -	\$ -	\$ -	\$ -	\$ 2,115,072	\$ 2,115,072	\$ 2,114,881	\$ (191)
1,321,000	1,346,000	1,361,509	15,509	-	112,000	-	(112,000)
30,000	30,000	19,009	(10,991)	150,000	223,541	264,672	41,131
-	-	-	-	106,508	289,722	297,600	7,878
1,351,000	1,376,000	1,380,518	4,518	2,371,580	2,740,335	2,677,153	(63,182)
4,162,756	5,214,367	3,722,172	1,492,195	-	-	-	-
-	-	-	-	7,102,000	4,114,632	2,947,020	1,167,612
4,162,756	5,214,367	3,722,172	1,492,195	7,102,000	4,114,632	2,947,020	1,167,612
(2,811,756)	(3,838,367)	(2,341,654)	1,496,713	(4,730,420)	(1,374,297)	(269,867)	1,104,430
2,202,199	3,476,530	1,992,769	(1,483,761)	3,000,000	3,177,500	3,000,000	(177,500)
-	-	-	-	(100,000)	(222,893)	-	222,893
2,202,199	3,476,530	1,992,769	(1,483,761)	2,900,000	2,954,607	3,000,000	45,393
(609,557)	(361,837)	(348,885)	12,952	(1,830,420)	1,580,310	2,730,133	1,149,823
639,393	639,393	639,393	-	5,719,111	5,719,111	5,719,111	-
<b>\$ 29,836</b>	<b>\$ 277,556</b>	<b>\$ 290,508</b>	<b>\$ 12,952</b>	<b>\$ 3,888,691</b>	<b>\$ 7,299,421</b>	<b>\$ 8,449,244</b>	<b>\$ 1,149,823</b>

## **Other Supplemental Information**

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# City of Farmington Hills, Michigan

	Special Revenue					
	Public Safety	Community Development Block Grant	Revolving Special Assessment	Nutrition Grant	Justice Assistance Grant	Police Forfeiture Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 2,191,547	\$ 16,019	\$ 4,985,530	\$ 179,895	\$ 25,999	\$ 907,680
Due from other governmental units	-	8,229	-	-	-	-
Receivables - Accrued interest and other	453	-	4,036	4,179	-	-
Due from other funds	-	-	-	-	-	-
Total assets	<b>\$ 2,192,000</b>	<b>\$ 24,248</b>	<b>\$ 4,989,566</b>	<b>\$ 184,074</b>	<b>\$ 25,999</b>	<b>\$ 907,680</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 24,248	\$ -	\$ 20	\$ 14,878	\$ 222,239
Due to other funds	531,026	-	256,713	77,272	227	28,122
Deferred revenue	-	-	-	106,782	9,520	-
Total liabilities	531,026	24,248	256,713	184,074	24,625	250,361
<b>Fund Balances - Unreserved</b>						
Designated for subsequent years' expenditures	-	-	948,627	-	-	-
Designated for capital improvements	-	-	3,784,226	-	-	-
Designated for public safety	1,660,974	-	-	-	1,374	657,319
Designated for debt service	-	-	-	-	-	-
Total fund balances	1,660,974	-	4,732,853	-	1,374	657,319
Total liabilities and fund balances	<b>\$ 2,192,000</b>	<b>\$ 24,248</b>	<b>\$ 4,989,566</b>	<b>\$ 184,074</b>	<b>\$ 25,999</b>	<b>\$ 907,680</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008**

Funds			Debt Service Funds				
Parks and Recreation Special Millage	Golf Course Capital Improvement	Deferred Special Assessment	Building Authority	Act 175 Debt - 1992 Issue	General Debt Service	Total Nonmajor Governmental Funds	
\$ 1,037,497	\$ 27,964	\$ 53,045	\$ 150,823	\$ -	\$ 475,648	\$ 10,051,647	
-	-	-	-	-	-	8,229	
-	-	-	33	-	104	8,805	
-	128	-	-	-	-	128	
<b>\$ 1,037,497</b>	<b>\$ 28,092</b>	<b>\$ 53,045</b>	<b>\$ 150,856</b>	<b>\$ -</b>	<b>\$ 475,752</b>	<b>\$ 10,068,809</b>	
\$ 32,514	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 293,899	
32,669	-	-	-	-	-	926,029	
-	-	-	-	-	-	116,302	
65,183	-	-	-	-	-	1,336,230	
-	-	-	-	-	-	948,627	
972,314	28,092	53,045	-	-	-	4,837,677	
-	-	-	-	-	-	2,319,667	
-	-	-	150,856	-	475,752	626,608	
972,314	28,092	53,045	150,856	-	475,752	8,732,579	
<b>\$ 1,037,497</b>	<b>\$ 28,092</b>	<b>\$ 53,045</b>	<b>\$ 150,856</b>	<b>\$ -</b>	<b>\$ 475,752</b>	<b>\$ 10,068,809</b>	

# City of Farmington Hills, Michigan

	Special Revenue					
	Public Safety	Community Development Block Grant	Revolving Special Assessment	Nutrition Grant	Justice Assistance Grant	Police Forfeiture Funds
<b>Revenue</b>						
Property taxes	\$ 6,515,639	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	302,809	-	289,777	18,010	181,517
Interest income	198,194	-	215,604	5,265	454	37,301
Other	-	-	2,600	142,569	-	159,756
Total revenue	6,713,833	302,809	218,204	437,611	18,464	378,574
<b>Expenditures</b>						
Current:						
Public safety	5,971,769	-	-	-	18,090	215,035
Recreation and culture	-	-	-	437,611	-	-
Community and economic development	-	302,809	975	-	-	-
Capital outlay	-	-	-	-	-	209,489
Debt service	-	-	-	-	-	-
Total expenditures	5,971,769	302,809	975	437,611	18,090	424,524
<b>Excess of Revenue Over (Under) Expenditures</b>	742,064	-	217,229	-	374	(45,950)
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(324,328)	-	-	(29,751)
Total other financing sources (uses)	-	-	(324,328)	-	-	(29,751)
<b>Net Change in Fund Balances</b>	742,064	-	(107,099)	-	374	(75,701)
<b>Fund Balances - Beginning of year</b>	918,910	-	4,839,952	-	1,000	733,020
<b>Fund Balances - End of year</b>	<b>\$ 1,660,974</b>	<b>\$ -</b>	<b>\$ 4,732,853</b>	<b>\$ -</b>	<b>\$ 1,374</b>	<b>\$ 657,319</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2008**

Funds			Debt Service Funds				Total Nonmajor
Parks and Recreation Special Millage	Golf Course Capital Improvement	Deferred Special Assessment	Building Authority	Act 175 Debt - 1992 Issue	General Debt Service		Governmental Funds
\$ 2,154,388	\$ -	\$ -	\$ -	\$ -	\$ 2,807,866	\$	11,477,893
2,500	-	-	-	-	-		794,613
91,994	884	1,991	9,498	1,088	78,181		640,454
-	21,407	-	114,113	-	234,273		674,718
2,248,882	22,291	1,991	123,611	1,088	3,120,320		13,587,678
-	-	-	-	-	-		6,204,894
-	-	-	-	-	-		437,611
-	-	-	-	-	-		303,784
327,732	41,201	-	950	-	-		579,372
-	-	-	1,182,074	307,900	1,756,511		3,246,485
327,732	41,201	-	1,183,024	307,900	1,756,511		10,772,146
1,921,150	(18,910)	1,991	(1,059,413)	(306,812)	1,363,809		2,815,532
-	-	-	1,068,199	307,650	-		1,375,849
(1,574,619)	-	-	-	(41,749)	(1,375,849)		(3,346,296)
(1,574,619)	-	-	1,068,199	265,901	(1,375,849)		(1,970,447)
346,531	(18,910)	1,991	8,786	(40,911)	(12,040)		845,085
625,783	47,002	51,054	142,070	40,911	487,792		7,887,494
<b>\$ 972,314</b>	<b>\$ 28,092</b>	<b>\$ 53,045</b>	<b>\$ 150,856</b>	<b>\$ -</b>	<b>\$ 475,752</b>	<b>\$</b>	<b>8,732,579</b>

# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Major Debt Service Fund Special Assessments Debt Service Fund Year Ended June 30, 2008

	Special Assessments Debt Service		
	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>			
Interest income	\$ 200,000	\$ 257,762	\$ 57,762
Special assessments	<u>1,256,804</u>	<u>438,344</u>	<u>(818,460)</u>
Total revenue	1,456,804	696,106	(760,698)
<b>Expenditures</b>			
Capital outlay	500,000	12,180	487,820
Debt principal payments	835,000	834,999	1
Interest and fiscal charges	<u>121,804</u>	<u>130,529</u>	<u>(8,725)</u>
Total expenditures	<u>1,456,804</u>	<u>977,708</u>	<u>479,096</u>
<b>Excess of Expenditures Over Revenue</b>	-	(281,602)	(281,602)
<b>Other Financing Uses - Transfers out</b>	<u>(1,566,763)</u>	<u>(42,248)</u>	<u>1,524,515</u>
<b>Excess of Expenditures and Other Financing Uses Over Revenue</b>	(1,566,763)	(323,850)	1,242,913
<b>Fund Balances - July 1, 2007</b>	<u>3,520,970</u>	<u>3,520,970</u>	-
<b>Fund Balances - June 30, 2008</b>	<u><b>\$ 1,954,207</b></u>	<u><b>\$ 3,197,120</b></u>	<u><b>\$ 1,242,913</b></u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Year Ended June 30, 2008

### Special Revenue Fund - Public Safety

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Property taxes	\$ 6,515,944	\$ 6,515,639	\$ (305)
Interest income	160,000	198,194	38,194
Total revenues	6,675,944	6,713,833	37,889
<b>Expenditures - Public safety</b>	6,023,895	5,971,769	52,126
<b>Excess of Revenues Over Expenditures</b>	652,049	742,064	90,015
<b>Fund Balance - July 1, 2007</b>	918,910	918,910	-
<b>Fund Balance - June 30, 2008</b>	<u><u>\$ 1,570,959</u></u>	<u><u>\$ 1,660,974</u></u>	<u><u>\$ 90,015</u></u>

### Special Revenue Fund - Community Development Block Grant

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Federal sources	\$ 460,315	\$ 302,809	\$ (157,506)
Miscellaneous revenue	20,000	-	(20,000)
Total revenues	480,315	302,809	(177,506)
<b>Expenditures - Community development and other</b>	302,815	302,809	6
<b>Excess of Revenues Over Expenditures</b>	177,500	-	(177,500)
<b>Other Financing Uses - Transfers out</b>	(177,500)	-	177,500
<b>Excess of Revenues Over Expenditures and Other Uses</b>	-	-	-
<b>Fund Balance - July 1, 2007</b>	-	-	-
<b>Fund Balance - June 30, 2008</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

### Special Revenue Fund - Revolving Special Assessment

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>			
Interest income	\$ 180,000	\$ 215,604	\$ 35,604
Other	-	2,600	2,600
Total revenue	180,000	218,204	38,204
<b>Expenditures</b> - Community development and other	10,975	975	10,000
<b>Excess of Revenue Over Expenditures</b>	169,025	217,229	48,204
<b>Other Uses</b> - Transfers out	(687,620)	(324,328)	363,292
<b>Excess of Expenditures and Other Uses Over Revenue</b>	(518,595)	(107,099)	411,496
<b>Fund Balances</b> - July 1, 2007	4,839,952	4,839,952	-
<b>Fund Balances</b> - June 30, 2008	<u>\$ 4,321,357</u>	<u>\$ 4,732,853</u>	<u>\$ 411,496</u>

### Special Revenue Fund - Nutrition Grant

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Federal sources	\$ 282,005	\$ 289,777	\$ 7,772
Miscellaneous revenue	133,133	142,569	9,436
Interest income	6,000	5,265	(735)
Total revenues	421,138	437,611	16,473
<b>Expenditures</b> - Recreation and culture	421,138	437,611	(16,473)
<b>Excess of Revenues Over Expenditures</b>	-	-	-
<b>Fund Balance</b> - July 1, 2007	-	-	-
<b>Fund Balance</b> - June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

### Special Revenue Fund - Justice Assistance Grant

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Federal sources	\$ 27,532	\$ 18,010	\$ (9,522)
Interest income	750	454	(296)
Total revenues	28,282	18,464	(9,818)
<b>Expenditures - Capital outlay</b>	29,282	18,090	11,192
<b>Excess of Revenues Over (Under) Expenditures</b>	(1,000)	374	1,374
<b>Fund Balance - July 1, 2007</b>	1,000	1,000	-
<b>Fund Balance - June 30, 2008</b>	<u>\$ -</u>	<u>\$ 1,374</u>	<u>\$ 1,374</u>

### Special Revenue Fund - Police Forfeiture

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Federal sources	\$ 121,000	\$ 181,517	\$ 60,517
Miscellaneous revenue	186,153	159,756	(26,397)
Interest income	42,900	37,301	(5,599)
Total revenues	350,053	378,574	28,521
<b>Expenditures</b>			
Public safety	289,361	215,035	74,326
Capital outlay	299,067	209,489	89,578
Total expenditures	588,428	424,524	163,904
<b>Excess of Expenditures Over Revenues</b>	(238,375)	(45,950)	192,425
<b>Other Uses - Transfers out</b>	(14,115)	(29,751)	(15,636)
<b>Excess of Expenditures and Other Uses Over Revenues</b>	(252,490)	(75,701)	176,789
<b>Fund Balances - July 1, 2007</b>	733,020	733,020	-
<b>Fund Balances - June 30, 2008</b>	<u>\$ 480,530</u>	<u>\$ 657,319</u>	<u>\$ 176,789</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

### Special Revenue Fund - Parks and Recreation Special Millage

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Property taxes	\$ 2,154,780	\$ 2,154,388	\$ (392)
Federal sources	-	2,500	2,500
Interest income	60,000	91,994	31,994
Total revenues	2,214,780	2,248,882	34,102
<b>Expenditures - Capital outlay</b>	595,785	327,732	268,053
<b>Excess of Revenue Over Expenditures</b>	1,618,995	1,921,150	302,155
<b>Other Financing Uses - Transfer out</b>	(1,574,619)	(1,574,619)	-
<b>Excess of Revenues Over Expenditures and Other Uses</b>	44,376	346,531	302,155
<b>Fund Balances - July 1, 2007</b>	625,783	625,783	-
<b>Fund Balances - June 30, 2008</b>	<u>\$ 670,159</u>	<u>\$ 972,314</u>	<u>\$ 302,155</u>

### Special Revenue Fund - Golf Course Capital Improvement

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Miscellaneous revenue	\$ 22,300	\$ 21,407	\$ (893)
Interest income	1,100	884	(216)
Total revenues	23,400	22,291	(1,109)
<b>Expenditures - Capital outlay</b>	52,455	41,201	11,254
<b>Excess of Expenditures Over Revenues</b>	(29,055)	(18,910)	10,145
<b>Fund Balances - July 1, 2007</b>	47,002	47,002	-
<b>Fund Balances - June 30, 2008</b>	<u>\$ 17,947</u>	<u>\$ 28,092</u>	<u>\$ 10,145</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

### Special Revenue Fund - Deferred Special Assessment

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b> - Interest income	\$ 2,000	\$ 1,991	\$ (9)
<b>Expenditures</b> - Community and economic development	130	-	130
<b>Excess of Revenues Over Expenditures</b>	1,870	1,991	121
<b>Fund Balances</b> - July 1, 2007	51,054	51,054	-
<b>Fund Balances</b> - June 30, 2008	<u>\$ 52,924</u>	<u>\$ 53,045</u>	<u>\$ 121</u>

### Debt Service Fund - Building Authority

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Interest income	\$ 15,000	\$ 9,498	\$ (5,502)
Other	250	114,113	113,863
Total revenues	15,250	123,611	108,361
<b>Expenditures</b>			
Capital outlay	1,000	950	50
Debt principal payments	620,760	675,001	(54,241)
Interest and fiscal charges	447,272	507,073	(59,801)
Total expenditures	1,069,032	1,183,024	(113,992)
<b>Excess of Expenditures Over Revenues</b>	(1,053,782)	(1,059,413)	(5,631)
<b>Other Financing Sources</b> - Transfers in	1,068,032	1,068,199	167
<b>Excess of Revenues and Other Financing Sources Over Expenditures</b>	14,250	8,786	(5,464)
<b>Fund Balances</b> - July 1, 2007	142,070	142,070	-
<b>Fund Balances</b> - June 30, 2008	<u>\$ 156,320</u>	<u>\$ 150,856</u>	<u>\$ (5,464)</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

### Debt Service Fund - Act 175 Debt 1992 Issue

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b> - Interest income	\$ 838	\$ 1,088	\$ 250
<b>Expenditures</b> - Debt principal payments	<u>307,900</u>	<u>307,900</u>	<u>-</u>
<b>Excess of Expenditures Over Revenues</b>	(307,062)	(306,812)	250
<b>Other Financing Sources (Uses)</b>			
Transfers in	307,900	307,650	(250)
Transfers out	<u>(41,749)</u>	<u>(41,749)</u>	<u>-</u>
Total other financing sources	266,151	265,901	(250)
<b>Excess of Expenditures Over Revenues and     Other Financing Sources</b>	(40,911)	(40,911)	-
<b>Fund Balance</b> - July 1, 2007	<u>40,911</u>	<u>40,911</u>	<u>-</u>
<b>Fund Balance</b> - June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

### Debt Service Fund - General Debt Service

	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>			
Property taxes	\$ 2,807,866	\$ 2,807,866	\$ -
Interest	75,000	78,181	3,181
Other	227,804	234,273	6,469
Total revenues	3,110,670	3,120,320	9,650
<b>Expenditures</b>			
Debt principal payments	1,243,526	1,243,527	(1)
Interest and fiscal charges	514,361	512,984	1,377
Total expenditures	1,757,887	1,756,511	1,376
<b>Excess of Revenue Over Expenditures</b>	1,352,783	1,363,809	11,026
<b>Other Financing Uses - Transfers out</b>	(1,375,932)	(1,375,849)	83
<b>Excess of Expenditures and Other Financing Uses Over Revenues</b>	(23,149)	(12,040)	11,109
<b>Fund Balance - July 1, 2007</b>	487,792	487,792	-
<b>Fund Balance - June 30, 2008</b>	<u>\$ 464,643</u>	<u>\$ 475,752</u>	<u>\$ 11,109</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Pension and Other Employee Benefit Trust Funds Combining Statement of Net Assets Fiduciary Funds June 30, 2008

	Employees' Retirement System	Postretirement Health Care Finance Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 11,330,279	\$ 711,486	\$ 12,041,765
Investments:			
Pooled funds	26,280,456	11,592,195	37,872,651
U.S. government securities	5,086,882	-	5,086,882
U.S. agency mortgage pools	642,997	-	642,997
Mortgage/Asset-backed securities	14,600,797	-	14,600,797
Corporate bonds and securities	6,050,144	-	6,050,144
Common stocks	60,101,975	15,784,420	75,886,395
Accrued interest and dividends receivable	435,329	829	436,158
 Total assets	 124,528,859	 28,088,930	 152,617,789
 <b>Liabilities</b> - Accounts payable	 1,253,643	 23,099	 1,276,742
 <b>Net Assets</b> - Held in trust for pension and other employee benefits	 <u>\$ 123,275,216</u>	 <u>\$ 28,065,831</u>	 <u>\$ 151,341,047</u>

# City of Farmington Hills, Michigan

## Other Supplemental Information Pension and Other Employee Benefit Trust Funds Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2008

	Employees' Retirement System	Postretirement Health Care Finance Fund	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 3,577,307	\$ 820,542	\$ 4,397,849
Net decrease in fair value of investments	(4,550,386)	(1,343,853)	(5,894,239)
Investment expense	(646,473)	(75,460)	(721,933)
Net investment loss	(1,619,552)	(598,771)	(2,218,323)
Contributions:			
Employer	3,775,618	3,051,388	6,827,006
Employee	1,147,408	382,234	1,529,642
Total contributions	4,923,026	3,433,622	8,356,648
<b>Deductions</b>			
Pension insurance premium payments	5,250,038	-	5,250,038
Contributions returned to employees	274,560	-	274,560
Total deductions	5,524,598	-	5,524,598
<b>Net Increase (Decrease) in Plan Net Assets</b>	(2,221,124)	2,834,851	613,727
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>			
Beginning of year	125,496,340	25,230,980	150,727,320
End of year	<u>\$ 123,275,216</u>	<u>\$ 28,065,831</u>	<u>\$ 151,341,047</u>



# City of Farmington Hills, Michigan

## Other Supplemental Information Combining Balance Sheet Agency Funds June 30, 2008

	<u>Tax Collections</u>	<u>General Agency</u>	<u>Total</u>
<b>Assets - Cash and cash equivalents</b>	<b><u>\$ 73,764</u></b>	<b><u>\$ 4,888,013</u></b>	<b><u>\$ 4,961,777</u></b>
<b>Liabilities</b>			
Performance bonds and deposits	-	4,018,622	4,018,622
Due to other governmental units	<u>73,764</u>	<u>869,391</u>	<u>943,155</u>
 Total liabilities	<b><u>\$ 73,764</u></b>	<b><u>\$ 4,888,013</u></b>	<b><u>\$ 4,961,777</u></b>

# City of Farmington Hills, Michigan

## Other Supplemental Information Combining Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<b><u>Tax Collections</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 142,516	\$ 222,338,698	\$ 222,407,450	\$ 73,764
Due from others	76	400	476	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<b><u>\$ 142,592</u></b>	<b><u>\$ 222,339,098</u></b>	<b><u>\$ 222,407,926</u></b>	<b><u>\$ 73,764</u></b>
<b>Liabilities</b>				
Due to component unit	\$ 72,425	\$ -	\$ 72,425	\$ -
Tax collections distributable	-	197,233,047	197,233,047	-
Due to other governmental units	70,167	235,636	232,039	73,764
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<b><u>\$ 142,592</u></b>	<b><u>\$ 197,468,683</u></b>	<b><u>\$ 197,537,511</u></b>	<b><u>\$ 73,764</u></b>
<b><u>General Agency</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 5,048,406	\$ 2,520,385	\$ 2,680,778	\$ 4,888,013
Due from others	-	1,204	1,204	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<b><u>\$ 5,048,406</u></b>	<b><u>\$ 2,521,589</u></b>	<b><u>\$ 2,681,982</u></b>	<b><u>\$ 4,888,013</u></b>
<b>Liabilities</b>				
Performance bonds and deposits	\$ 4,288,903	\$ 908,504	\$ 1,178,785	\$ 4,018,622
Due to other governmental units	759,503	1,613,085	1,503,197	869,391
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<b><u>\$ 5,048,406</u></b>	<b><u>\$ 2,521,589</u></b>	<b><u>\$ 2,681,982</u></b>	<b><u>\$ 4,888,013</u></b>

# City of Farmington Hills, Michigan

## Schedule of Indebtedness June 30, 2008

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2008	2007
<b>Governmental Activities</b>					
General obligation debt:					
Building Authority Bonds, District Court Building					
Date of issue - September 2001					
Amount of issue - \$11,000,000					
	4.150	09/01/07	\$ 400,000	\$ -	\$ 400,000
	4.200	09/01/08	400,000	400,000	400,000
	4.250	09/01/09	500,000	500,000	500,000
	4.375	09/01/10	500,000	500,000	500,000
	4.200	09/01/11	500,000	500,000	500,000
	4.300	09/01/12	600,000	600,000	600,000
	4.400	09/01/13	685,000	-	*
	4.500	09/01/14	690,000	-	*
	4.600	09/01/15	695,000	-	*
	4.700	09/01/16	800,000	-	*
	4.750	09/01/17	805,000	-	*
	4.800	09/01/18	900,000	-	*
	5.000	09/01/19	995,000	-	*
	5.000	09/01/20	985,000	-	*
		Total		<b>\$ 2,500,000</b>	<b>\$ 2,900,000</b>

\* Bonds totaling \$6,600,000 were refunded in 2007

### Building Authority Bonds, District Court Building

Date of issue - Series 2007

Amount of issue - \$6,555,000

5.000	09/01/13	\$ 685,000	\$ 685,000	\$ 685,000
5.000	09/01/14	690,000	690,000	690,000
5.500	09/01/15	695,000	695,000	695,000
5.500	09/01/16	800,000	800,000	800,000
4.000	09/01/17	805,000	805,000	805,000
4.000	09/01/18	900,000	900,000	900,000
4.000	09/01/19	995,000	995,000	995,000
4.000	09/01/20	985,000	985,000	985,000
	Total		<u>\$ 6,555,000</u>	<u>\$ 6,555,000</u>

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2008

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2008	2007
<b>Governmental Activities (Continued)</b>					
Michigan Transportation Fund Bonds					
Date of issue - August 18, 1992					
Amount of issue - \$3,150,000					
	5.100	10/01/07	\$ 300,000	<u>\$ -</u>	<u>\$ 300,000</u>
General obligation debt:					
Building Authority Refunding Bonds					
Date of issue - October 22, 2003					
Amount of issue - \$2,910,000					
	2.250	11/01/07	\$ 275,000	\$ -	\$ 275,000
	2.500	11/01/08	265,000	265,000	265,000
	2.625	11/01/09	175,000	175,000	175,000
	3.000	11/01/10	165,000	165,000	165,000
	3.300	11/01/11	185,000	185,000	185,000
	3.500	11/01/12	180,000	180,000	180,000
	3.600	11/01/13	205,000	205,000	205,000
	3.800	11/01/14	200,000	200,000	200,000
	3.800	11/01/15	200,000	200,000	200,000
	4.000	11/01/16	195,000	195,000	195,000
	4.000	11/01/17	195,000	<u>195,000</u>	<u>195,000</u>
	Total			<u>\$ 1,965,000</u>	<u>\$ 2,240,000</u>
General obligation debt:					
Minnow Pond Drainage District Refunding Bonds					
Date of issue - November 1, 2001					
Amount of issue - \$6,524,348					
	4.250	05/01/08	\$ 758,419	\$ -	\$ 758,419
	4.250	05/01/09	753,556	753,556	753,556
	4.500	05/01/10	787,589	787,589	787,589
	4.500	05/01/11	807,036	<u>807,036</u>	<u>807,036</u>
	Total			<u>\$ 2,348,181</u>	<u>\$ 3,106,600</u>

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2008

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2008	2007
<b>Governmental Activities (Continued)</b>					
County contractual obligations:					
Caddell Drain Refunding Bonds					
Date of issue - May 2003					
Amount of issue - \$1,388,991					
	5.500	11/01/07	\$ 122,784	\$ -	\$ 122,784
	5.750	11/01/08	118,947	118,947	118,947
	5.875	11/01/09	118,947	118,947	118,947
	5.875	11/01/10	115,110	115,110	115,110
	5.875	11/01/11	111,273	111,273	111,273
	5.875	11/01/12	126,621	126,621	126,621
	5.875	11/01/13	122,784	122,784	122,784
	5.875	11/01/14	122,781	122,781	122,781
		Total		<u>\$ 836,463</u>	<u>\$ 959,247</u>
Pebble Creek Drainage District Refunding Bonds					
Date of issue - May 2003					
Amount of issue - \$1,508,845					
	6.800	11/01/07	\$ 212,323	\$ -	\$ 212,323
	5.500	11/01/08	198,770	198,770	198,770
	5.000	11/01/09	194,253	194,253	194,253
	5.000	11/01/10	185,216	185,216	185,216
		Total		<u>\$ 578,239</u>	<u>\$ 790,562</u>

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2008

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2008	2007
<b>Governmental Activities (Continued)</b>					
Golf Course Capital Improvement Bonds					
Date of issue - March 2005					
Amount of issue - \$8,200,000					
	3.000	10/01/07	\$ 150,000	\$ -	\$ 150,000
	3.000	10/01/08	150,000	150,000	150,000
	3.000	10/01/09	150,000	150,000	150,000
	3.000	10/01/10	175,000	175,000	175,000
	3.100	10/01/11	175,000	175,000	175,000
	3.250	10/01/12	225,000	225,000	225,000
	3.350	10/01/13	225,000	225,000	225,000
	4.000	10/01/14	250,000	250,000	250,000
	4.000	10/01/15	250,000	250,000	250,000
	4.000	10/01/16	275,000	275,000	275,000
	4.000	10/01/17	325,000	325,000	325,000
	4.000	10/01/18	325,000	325,000	325,000
	4.000	10/01/19	350,000	350,000	350,000
	4.000	10/01/20	350,000	350,000	350,000
	4.000	10/01/21	400,000	400,000	400,000
	4.100	10/01/22	400,000	400,000	400,000
	4.150	10/01/23	425,000	425,000	425,000
	4.200	10/01/24	425,000	425,000	425,000
	4.250	10/01/25	450,000	450,000	450,000
	4.375	10/01/26	450,000	450,000	450,000
	4.375	10/01/27	500,000	500,000	500,000
	4.375	10/01/28	525,000	525,000	525,000
	4.375	10/01/29	550,000	550,000	550,000
	4.375	10/01/30	550,000	550,000	550,000
Total				\$ 7,900,000	\$ 8,050,000

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2008

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2008	2007
<b>Governmental Activities (Continued)</b>					
Special assessment bonds -					
General long-term obligations:					
District 265 Public Improvements					
Date of issue - August 1, 1994					
Amount of issue - \$1,885,000					
	5.600	10/01/07	\$ 50,000	\$ -	\$ 50,000
	5.700	10/01/08	50,000	50,000	50,000
	5.800	10/01/09	50,000	50,000	50,000
	5.900	10/01/10	35,000	35,000	35,000
		Total		<u>\$ 135,000</u>	<u>\$ 185,000</u>
Districts 263, 264, 266, and 267 Public Improvements					
Date of issue - April 1, 1996					
Amount of issue - \$915,000					
	5.200	10/01/07	\$ 25,000	\$ -	\$ 25,000
	5.300	10/01/08	25,000	25,000	25,000
	5.400	10/01/09	15,000	15,000	15,000
		Total		<u>\$ 40,000</u>	<u>\$ 65,000</u>
Special assessment bonds:					
General long-term obligations:					
Districts 279, 281, 283, and 284 Public Improvements					
Date of issue - November 1, 1997					
Amount of issue - \$2,155,000					
	4.100	10/01/07	\$ 150,000	\$ -	\$ 150,000
	4.250	10/01/08	100,000	100,000	100,000
	4.350	10/01/09	55,000	55,000	55,000
	4.400	10/01/10	50,000	50,000	50,000
	4.500	10/01/11	25,000	25,000	25,000
	4.600	10/01/12	25,000	25,000	25,000
		Total		<u>\$ 255,000</u>	<u>\$ 405,000</u>

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2008

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2008	2007
<b>Governmental Activities (Continued)</b>					
District 294 Public Improvements					
Date of issue - September 1, 1998					
Amount of issue - \$2,860,000					
	3.750	04/01/08	\$ 200,000	\$ -	\$ 200,000
	3.750	04/01/09	200,000	200,000	200,000
	3.800	04/01/10	75,000	75,000	75,000
	3.800	04/01/11	75,000	75,000	75,000
	3.800	04/01/12	75,000	75,000	75,000
	3.800	04/01/13	75,000	75,000	75,000
		Total		<u>\$ 500,000</u>	<u>\$ 700,000</u>
General long-term obligations:					
Districts 293, 295, 297, 290, and 300 Public Improvements					
Date of issue - September 1, 1999					
Amount of issue - \$1,490,000					
	4.750	10/01/07	\$ 100,000	\$ -	\$ 100,000
	4.850	10/01/08	100,000	100,000	100,000
	5.000	10/01/09	100,000	100,000	100,000
	5.100	10/01/10	100,000	100,000	100,000
	5.200	10/01/11	75,000	75,000	75,000
	5.250	10/01/12	75,000	75,000	75,000
	5.300	10/01/13	25,000	25,000	25,000
		Total		<u>\$ 475,000</u>	<u>\$ 575,000</u>
Districts 306, 307, 308, 309, 310, and 311 Public Improvements					
Date of issue - March 4, 2003					
Amount of issue - \$1,585,000					
	2.500	10/01/07	\$ 185,000	\$ -	\$ 185,000
	2.750	10/01/08	180,000	180,000	180,000
	3.000	10/01/09	165,000	165,000	165,000
	3.050	10/01/10	160,000	160,000	160,000
	3.250	10/01/11	150,000	150,000	150,000
		Total		<u>\$ 655,000</u>	<u>\$ 840,000</u>



# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued)

June 30, 2008

				Principal Outstanding	
				June 30	
Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	2008	2007
<b>Governmental Activities (Continued)</b>					
Special assessment bonds:					
General long-term obligations:					
Districts 312, 314, and 315 Public Improvements					
Date of issue - December 1, 2003					
Amount of issue - \$1,050,000					
	2.00-3.15	10/1/07-11	\$ 125,000	\$ 500,000	\$ 625,000
	0.034	10/01/12	100,000	100,000	100,000
		Total		<u>\$ 600,000</u>	<u>\$ 725,000</u>
		Total governmental			
		activity bond obligations		<u>\$ 25,342,883</u>	<u>\$ 28,396,409</u>
<b>Business-type Activities</b>					
General obligation debt:					
1998 Refunding Bonds - Ice Arena					
Date of issue - December 3, 1998					
Amount of issue - \$4,495,000					
	4.000	10/01/07	\$ 365,000	\$ -	\$ 365,000
	4.100	10/01/08	360,000	360,000	360,000
	4.150	10/01/09	430,000	430,000	430,000
	4.200	10/01/10	425,000	425,000	425,000
	4.250	10/01/11	465,000	465,000	465,000
	4.350	10/01/12	460,000	460,000	460,000
	4.400	10/01/13	500,000	500,000	500,000
	4.400	10/01/14	495,000	495,000	495,000
				3,135,000	3,500,000
Less unamortized discount on issuance and deferred charges				<u>(211,250)</u>	<u>(243,750)</u>
Total				<u>\$ 2,923,750</u>	<u>\$ 3,256,250</u>

# City of Farmington Hills, Michigan

## Schedule of Indebtedness (Continued) June 30, 2008

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2008	2007
<b>Business-type Activities</b> (Continued)					
County contractual obligations - Water and sewer:					
Evergreen-Farmington Sewage Disposal System (Interceptor)					
Date of issue - August 1, 1989					
Amount of issue - \$4,677,000					
	5.000	05/01/08	\$ 402,320	\$ -	\$ 402,320
	5.000	05/01/09	452,615	452,615	452,615
		Total		<u>\$ 452,615</u>	<u>\$ 854,935</u>
General obligation debt:					
Evergreen-Farmington Sewage Disposal System					
Date of issue - November 1, 1991					
Amount of issue - \$1,079,308					
	3.500	05/01/10	\$ 105,684	<u>\$ 105,684</u>	<u>\$ 105,684</u>
Evergreen-Farmington Sewage Disposal System (Segments I and II)					
Date of issue - September 1, 1999					
Amount of issue - \$843,418					
	4.650	11/01/07	\$ 101,730	\$ -	\$ 101,730
	4.750	11/01/08	105,315	105,315	105,315
	4.850	11/01/09	103,972	103,972	103,972
		Total		<u>\$ 209,287</u>	<u>\$ 311,017</u>
General obligation debt:					
Evergreen-Farmington Permanent Meter and Interceptor					
Rehabilitation Refunding Bonds					
Date of issue - November 1, 2001					
Amount of issue - \$590,392					
	3.900	05/01/08	\$ 82,581	\$ -	\$ 82,581
	4.000	05/01/09	92,436	92,436	92,436
		Total		<u>\$ 92,436</u>	<u>\$ 175,017</u>
		Total business-type activities		<u>\$ 3,783,772</u>	<u>\$ 4,702,903</u>

## **Statistical Section**

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# City of Farmington Hills, Michigan

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## Description of Statistical Section

This part of the City of Farmington Hills' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health. Many of the schedules present data for the past fiscal years that will allow the reader to discern trends that cannot be seen in a single year's financial statements.

### **Contents**

#### Financial Trends:

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

#### Revenue Capacity:

These schedules contain information to help the reader assess the locally levied taxes including the property tax collected by the City treasurer, which represents the City's largest revenue source.

#### Debt Capacity:

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.

#### Demographic Information:

These schedules offer demographic indicators to help the reader understand the environment within which the City's financial activities take place.

#### Operating Information:

These schedules contain service data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules representing government-wide information include information beginning in that year. The reported numbers begin with the year for which information is available.

# City of Farmington Hills, Michigan

## Financial Trend Information Net Assets by Component

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Governmental Activities</b>						
Invested in capital assets - Net						
of related debt	\$ 128,876,295	\$ 130,784,565	\$ 121,573,154	\$ 123,530,837	\$ 122,136,048	\$ 125,093,866
Restricted	16,511,810	16,189,992	13,858,968	13,100,188	13,052,018	12,944,910
Unrestricted	17,111,908	16,384,429	20,915,089	19,867,990	23,301,442	25,761,491
<b>Business-type Activities</b>						
Invested in capital assets - Net						
of related debt	88,398,551	88,006,277	87,392,224	87,270,670	85,618,579	84,322,367
Restricted	-	-	-	-	-	-
Unrestricted	43,771,818	44,062,460	50,165,269	51,494,296	53,730,183	54,179,717
<b>Primary Government in Total</b>						
Invested in capital assets - Net						
of related debt	217,274,846	218,790,842	208,965,378	210,801,507	207,754,627	209,416,233
Restricted	16,511,810	16,189,992	13,858,968	13,100,188	13,052,018	12,944,910
Unrestricted	60,883,726	60,446,889	71,080,358	71,362,286	77,031,625	79,941,208

Note: In fiscal year 2003, the City adopted GASB No. 34 and began reporting a government-wide statement of net assets.

# City of Farmington Hills, Michigan

## Financial Trend Information Changes in Governmental Net Assets

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Expenses</b>						
General government	\$ 13,776,963	\$ 14,927,324	\$ 14,919,138	\$ 11,260,973	\$ 12,731,683	\$ 12,047,284
Police, fire, and EMS	24,632,334	25,327,565	25,760,614	26,100,754	28,359,188	29,864,624
Public works	16,025,955	15,604,121	18,599,140	17,614,606	16,157,867	16,809,129
Community and economic development	2,389,468	2,668,310	2,692,660	2,640,978	2,520,118	2,585,741
Recreation and culture	7,240,514	8,013,428	8,180,487	8,176,207	8,668,447	9,222,890
Interest on long-term debt	1,590,773	1,092,071	1,163,016	1,297,138	1,191,848	1,206,196
Total expenses	65,656,007	67,632,819	71,315,055	67,090,656	69,629,151	71,735,864
<b>Program Revenues</b>						
Charges for services:						
General government	3,110,839	2,907,838	3,029,686	2,798,752	3,043,892	3,466,163
Public safety	1,337,092	1,373,064	1,438,731	1,378,268	1,519,253	1,766,051
Public works	870,437	1,464,823	876,887	1,237,028	1,132,419	3,430,421
Community and economic development	1,034,612	1,126,532	2,097,060	1,450,251	1,436,038	1,258,701
Recreation and culture	2,049,636	2,527,898	2,858,758	3,232,637	3,308,205	3,631,709
Total charges for services	8,402,616	9,400,155	10,301,122	10,096,936	10,439,807	13,553,045
Operating grants and contributions	8,498,915	7,527,621	7,242,617	7,120,431	7,182,121	6,959,267
Capital grants and contributions	2,060,071	2,396,119	1,568,492	729,827	589,014	2,204,359
Total program revenues	18,961,602	19,323,895	19,112,231	17,947,194	18,210,942	22,716,671
<b>Net Expenses</b>	(46,694,405)	(48,308,924)	(52,202,824)	(49,143,462)	(51,418,209)	(49,019,193)
<b>General Revenues</b>						
Property taxes	38,112,953	39,581,555	40,837,672	39,833,977	43,648,073	45,132,374
State-shared revenues	7,836,696	7,043,252	6,966,481	6,897,159	6,683,814	6,683,814
Investment earnings	1,433,742	1,044,328	1,448,433	2,890,491	3,582,399	3,044,879
Gain on disposal	160,556	2,555,618	899,655	148,951	74,575	162,230
Miscellaneous	362,056	195,344	103,326	102,436	223,542	251,130
Total general revenues	47,906,003	50,420,097	50,255,567	49,873,014	54,212,403	55,274,427
<b>Transfers</b>	683,846	(1,252,200)	(5,064,518)	(577,747)	(803,700)	(746,700)
<b>Change in Net Assets</b>	<u>\$ 1,895,444</u>	<u>\$ 858,973</u>	<u>\$ (7,011,775)</u>	<u>\$ 151,805</u>	<u>\$ 1,990,494</u>	<u>\$ 5,508,534</u>

Note: In fiscal year 2003, the City adopted GASB No. 34 and began reporting a government-wide statement of net assets.

# City of Farmington Hills, Michigan

	Fiscal Year Ended June 30			
	2003	2004	2005	2006
<b>Expenses</b>				
Water and sewer	\$ 22,055,144	\$ 22,089,078	\$ 21,586,633	\$ 22,586,352
Ice arena	1,445,235	1,377,108	1,442,721	1,328,061
Interest expense	432,670	424,438	342,185	307,746
Other	(2,083)	392,895	(150,649)	(104,394)
<b>Total expenses</b>	<b>23,930,966</b>	<b>24,283,519</b>	<b>23,220,890</b>	<b>24,117,765</b>
<b>Program Revenues</b>				
Water and sewer	19,271,313	18,372,826	18,302,420	19,577,393
Ice arena	1,631,055	1,557,670	1,455,787	1,523,295
Operating grants and contributions	-	-	125,630	-
Capital grants and contributions	-	-	-	998,320
Capital and debt service charges	2,092,701	2,347,424	2,721,633	1,623,650
<b>Total program revenues</b>	<b>22,995,069</b>	<b>22,277,920</b>	<b>22,605,470</b>	<b>23,722,658</b>
<b>Net Expenses</b>	<b>(935,897)</b>	<b>(2,005,599)</b>	<b>(615,420)</b>	<b>(395,107)</b>
<b>General Revenues - Investment income</b>	<b>641,126</b>	<b>651,767</b>	<b>1,039,658</b>	<b>1,990,401</b>
<b>Transfers</b>	<b>(683,846)</b>	<b>1,252,200</b>	<b>5,064,518</b>	<b>577,747</b>
<b>Total Change in Net Assets</b>	<b>\$ (978,617)</b>	<b>\$ (101,632)</b>	<b>\$ 5,488,756</b>	<b>\$ 2,173,041</b>

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**Financial Trend Information**  
**Changes in Business-type Net Assets**

<u>2007</u>	<u>2008</u>
\$ 26,287,370	\$ 24,558,909
1,365,602	1,358,224
270,218	230,614
6,023	7,978
27,929,213	26,155,725
20,306,011	21,329,632
1,460,261	1,456,179
-	-
36,281	11,046
1,383,576	1,402,096
23,186,129	24,198,953
(4,743,084)	(1,956,772)
2,707,526	2,179,139
803,700	746,700
<b>\$ (1,231,858)</b>	<b>\$ 969,067</b>



# City of Farmington Hills, Michigan

	June 30			
	1999	2000	2001	2002
<b>General Fund</b>				
Reserved	\$ 371,000	\$ 418,416	\$ 1,107,396	\$ 2,797,226
Unreserved	9,980,466	12,778,817	16,334,333	16,148,367
Total General Fund	10,351,466	13,197,233	17,441,729	18,945,593
<b>All Other Governmental Funds</b>				
Reserved				
Unreserved, reported in:				
Special Revenue Funds	10,635,923	11,486,740	9,881,825	8,901,028
Capital Project Funds	2,943,920	3,516,616	4,753,388	5,907,486
Debt Service Funds	5,385,558	4,976,266	5,610,303	9,991,355
SAD Capital Project Funds	230,678	898,444	450,790	(975,155)
Total all other governmental funds	\$ 29,547,545	\$ 34,075,299	\$ 38,138,035	\$ 42,770,307

	Year Ended June 30			
	1999	2000	2001	2002
<b>Revenue</b>				
Property taxes	\$ 31,487,090	\$ 32,771,453	\$ 34,198,849	\$ 35,798,125
Federal grants	1,127,869	830,527	741,673	1,168,058
State-shared revenues and grants	11,717,919	13,358,069	13,941,350	14,267,451
Other	-	-	1,001,507	191,730
Special assessments	-	-	-	-
Charges for services	7,221,332	6,094,800	6,626,030	7,490,817
Fines and forfeitures	2,096,252	2,297,572	2,093,481	2,226,312
Interest and rentals	2,676,615	3,231,037	3,699,519	1,879,853
Other	1,960,825	1,952,897	1,410,019	2,103,407
Total revenue	58,287,902	60,536,355	63,712,428	65,125,753
<b>Expenditures</b>				
Current:				
General government	11,470,314	11,148,450	11,651,062	12,422,185
Public safety	17,384,173	19,047,839	19,935,804	21,480,500
Public works	9,458,932	10,170,181	11,861,140	13,145,615
Community and economic development	2,501,147	2,260,498	982,594	793,490
Recreation and culture	-	-	-	-
Other	-	-	-	-
Capital outlay	10,486,731	9,861,562	10,665,717	18,952,148
Debt service principal	2,590,393	3,357,110	2,963,532	3,125,413
Debt service interest	1,741,484	1,608,661	1,484,843	1,390,073
Total expenditures	55,633,174	57,454,301	59,544,692	71,309,424
<b>Excess of Revenue Over (Under) Expenditures</b>	2,654,728	3,082,054	4,167,736	(6,183,671)
<b>Other Financing Sources (Uses)</b>				
Debt issuance	2,860,000	1,490,000	-	11,000,000
Transfers in	7,899,688	5,809,468	4,554,883	6,619,741
Transfers out	(7,366,688)	(5,853,768)	(4,659,883)	(6,947,237)
Debt defeasance	-	-	-	-
Total other financing sources (uses)	3,393,000	1,445,700	(105,000)	10,672,504
<b>Special Item</b>	-	-	-	143,439
<b>Net Change in Fund Balances</b>	6,047,728	4,527,754	4,062,736	4,632,272
<b>Fund Balances - Beginning of year</b>	23,499,817	29,547,545	34,075,299	38,138,035
<b>Fund Balances - End of year</b>	\$ 29,547,545	\$ 34,075,299	\$ 38,138,035	\$ 42,770,307
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	10.61%	11.65%	10.01%	9.44%

## Financial Trend Information Fund Balances - Governmental Funds

June 30					
2003	2004	2005	2006	2007	2008
\$ 2,455,421	\$ 2,261,661	\$ 2,171,865	\$ 2,109,393	\$ 1,768,931	\$ 1,817,933
13,628,760	13,867,351	13,419,323	14,836,555	16,849,172	16,858,200
16,084,181	16,129,012	15,591,188	16,945,948	18,618,103	18,676,133
10,342,849	9,969,961	9,591,399	10,338,792	11,727,791	11,442,855
1,337,173	1,594,421	6,522,937	4,242,341	5,719,111	8,449,244
5,748,253	6,110,990	5,622,287	4,975,369	4,191,743	3,823,728
110,739	(133,343)	(238,861)	(230,599)	(42,248)	(1,286,983)
<b>\$ 33,623,195</b>	<b>\$ 33,671,041</b>	<b>\$ 37,088,950</b>	<b>\$ 36,271,851</b>	<b>\$ 40,214,500</b>	<b>\$ 41,104,977</b>

## Change in Fund Balances Governmental Funds

Year Ended June 30					
2003	2004	2005	2006	2007	2008
\$ 38,112,953	\$ 39,581,555	\$ 40,837,672	\$ 39,833,977	\$ 43,648,073	\$ 45,132,374
758,164	1,527,819	2,066,806	1,470,397	1,633,930	1,034,220
15,544,463	13,365,212	13,107,584	12,898,513	12,735,007	12,737,789
154,823	151,902	226,058	194,731	178,317	211,653
1,405,077	1,637,106	967,958	799,797	522,985	489,779
6,835,109	6,930,483	7,528,987	7,412,005	7,350,847	8,123,042
2,087,250	2,406,863	2,405,719	2,262,481	2,498,603	2,667,589
1,383,409	999,237	1,432,381	2,661,066	3,581,579	3,021,337
1,223,970	3,711,650	1,787,527	1,121,134	1,219,932	1,324,773
67,505,218	70,311,827	70,360,692	68,654,101	73,369,273	74,742,556
12,937,292	13,408,345	13,504,759	10,102,475	11,937,785	10,918,120
23,192,361	23,722,620	24,526,966	25,335,913	27,262,343	28,685,731
13,892,526	13,912,758	14,891,807	13,155,038	12,927,893	15,561,241
2,251,107	2,381,404	2,475,478	2,556,411	2,587,708	2,488,079
5,855,834	5,975,789	6,278,393	6,403,457	7,267,798	7,433,871
-	-	-	34,289	13,554	12,099
15,985,143	6,026,481	3,740,394	6,700,563	2,216,943	3,527,243
3,241,072	3,592,560	3,560,105	3,216,331	3,193,368	3,053,526
1,565,841	1,041,824	1,100,363	1,388,976	1,173,866	1,227,694
78,921,176	70,061,781	70,078,265	68,893,453	68,581,258	72,907,604
(11,415,958)	250,046	282,427	(239,352)	4,788,015	1,834,952
4,482,836	3,960,000	8,200,000	-	6,916,604	-
13,146,991	9,227,229	7,855,405	5,635,903	3,103,486	7,742,935
(12,463,145)	(10,479,429)	(12,919,923)	(6,213,650)	(3,907,186)	(8,489,635)
(2,897,836)	(2,910,000)	-	-	(6,958,270)	-
2,268,846	(202,200)	3,135,482	(577,747)	(845,366)	(746,700)
-	-	-	-	-	-
(9,147,112)	47,846	3,417,909	(817,099)	3,942,649	1,088,252
42,770,307	33,623,195	33,671,041	37,088,950	36,271,851	40,016,725
<b>\$ 33,623,195</b>	<b>\$ 33,671,041</b>	<b>\$ 37,088,950</b>	<b>\$ 36,271,851</b>	<b>\$ 40,214,500</b>	<b>\$ 41,104,977</b>
8.27%	7.80%	7.56%	8.00%	7.04%	7.11%

# City of Farmington Hills, Michigan

Taxable Value by Property Type				
Real Property				
Tax Year	Residential	Commercial	Industrial	Personal Property
1999	\$ 2,063,487,370	\$ 638,771,670	\$ 216,396,710	\$ 298,238,050
2000	2,157,359,040	669,405,550	226,018,290	283,929,650
2001	2,279,684,910	705,244,050	232,364,480	296,210,250
2002	2,404,894,930	751,530,320	239,069,180	299,294,170
2003	2,494,573,160	790,858,870	244,276,060	300,524,080
2004	2,601,427,910	817,606,480	248,911,830	306,640,780
2005	2,714,015,100	855,500,180	265,554,000	285,526,350
2006	2,846,495,290	882,999,590	273,655,430	291,027,340
2007	2,961,431,410	907,534,470	279,338,250	290,225,360
2008	2,924,723,280	921,565,770	280,643,650	284,610,560

Note: Under Michigan law, the revenue base is taxable value.

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year.

Source: City Assessing Department records

Millage Rates - Direct City Taxes					Overlapping Taxes			
Tax Year	General	Debt	Special	Total	County	OCPTA	Library	Oakland
	Operating		Purpose	Direct Taxes				Community College
1998	7.2193	0.8688	2.0769	10.1650	4.6564	0.3300	0.6000	1.6456
1999	7.2193	0.7785	2.1672	10.1650	4.6522	0.3270	0.5985	1.6295
2000	7.2193	0.7785	2.1672	10.1650	4.6478	0.3236	0.5958	1.6109
2001	7.2193	0.7432	2.2025	10.1650	4.6438	0.3207	0.5933	1.5952
2002	7.2193	0.8117	2.1911	10.2221	4.6523	0.6000	0.5887	1.6090
2003	7.5705	0.7932	1.8584	10.2221	4.6497	0.5974	0.5866	1.5983
2004	7.7142	0.7014	1.8065	10.2221	4.6476	0.5962	0.5856	1.5889
2005	6.9452	0.6318	1.9451	9.5221	4.6461	0.5950	1.5856	1.5844
2006	6.9408	0.6362	2.4446	10.0216	4.6461	0.5900	1.5856	1.5844
2007	6.9423	0.6347	2.4446	10.0216	4.6461	0.5900	1.5856	1.5844

Source: Oakland County Public Transportation Authority

## Revenue Capacity Information Assessed Value and Actual Value of Taxable Property

		Tax Rate		Taxable Value as a Percentage of Actual	
IFT	Total Taxable	(Mills)	Total SEV		
\$ -	\$ 3,216,893,800	10.1650	\$ 3,456,406,270	93.07	
1,696,600	3,338,409,130	10.1650	3,645,559,130	91.57	
15,341,050	3,528,844,740	10.1649	3,945,512,540	89.44	
19,117,510	3,713,906,110	10.1650	4,277,835,510	86.82	
18,491,200	3,848,723,370	10.2221	4,504,750,120	85.44	
21,201,670	3,995,788,670	10.2221	4,629,979,870	86.30	
13,611,350	4,134,206,980	9.5221	4,741,538,300	87.19	
14,649,020	4,308,817,670	10.0216	4,873,928,140	88.41	
14,001,540	4,452,531,030	10.0216	4,959,218,650	89.78	
14,403,740	4,425,947,000	10.0216	4,757,901,480	93.02	

## Direct and Overlapping Property Tax Rates

Overlapping Taxes								
Schoolcraft Community College	Intermediate School District	State Education	School: Homestead Farmington	School: Homestead Clarenceville	School: Homestead Walled Lake	School: Non- homestead Farmington	School: Non- homestead Clarenceville	School: Non- homestead Walled Lake
1.8521	2.1208	6.0000	14.4761	3.5279	8.1074	20.1200	20.5000	22.8000
1.8444	2.0999	6.0000	14.0071	3.6827	7.8520	20.1000	21.7441	22.8000
1.8311	2.0752	6.0000	13.2614	4.7395	8.0982	20.0000	21.7449	23.1000
1.8193	3.4526	6.0000	12.8633	4.5920	7.9538	20.0000	21.6745	23.1000
1.8043	3.4224	6.0000	12.4459	4.7548	7.4728	19.9388	21.8907	22.9884
1.8024	3.3991	5.0000	11.8783	4.7114	7.5248	19.9388	21.8771	23.1000
1.7967	3.3789	6.0000	11.5466	4.5763	7.0548	19.9388	21.7522	22.7900
1.7967	3.3690	6.0000	11.1596	4.3392	6.8975	19.9388	21.5727	22.7900
1.7967	3.3690	6.0000	10.6511	5.1766	6.7841	19.7388	22.5000	22.7900
1.7967	3.3690	6.0000	10.1784	5.1324	6.6700	19.8000	22.5000	22.7900

# City of Farmington Hills, Michigan

## Revenue Capacity Information Principal Property Taxpayers

Taxpayer	2008 Taxable Value	Percentage of Total	1999 Taxable Value	Percentage of Total	1998 Rank
1 Oakland Management Co.	\$ 77,041,750	1.75	\$ 60,720,850	1.82	1
2 FH Corporate Investors (Kojaian)	56,468,310	1.28	n/a	-	2
3 Nissan Corp.	42,530,920	0.96	24,374,970	0.73	3
4 Robert Bosch Corp.	42,492,840	0.96	21,920,330	0.66	4
5 Detroit Edison	24,959,250	0.57	34,713,250	1.04	2
6 Arboretum Development	22,705,300	0.51	19,309,380	0.58	6
7 Ramco/Lion Venture LP	20,013,700	0.45	n/a	-	7
8 Chrysler Financial Co	19,598,140	0.44	n/a	-	8
9 Aimco (Independence Green)	18,881,890	0.43	15,736,860	0.47	9
10 Stuart Frankel	18,508,990	0.42	15,595,010	0.47	10

Source: City Assessing Department Records

# City of Farmington Hills, Michigan

## Property Tax Levies and Collections

Fiscal Year Ended June 30	Tax Levy (I)	Current Collections	Percent of Levy Collected	Delinquent Collections	Total Tax Collections	Percent of Total Collections to Tax Levy
1999	\$ 31,195,930	\$ 30,632,027	98.19	\$ 59,106	\$ 30,691,133	98.38
2000	32,658,075	32,112,752	98.33	11,511	32,124,263	98.37
2001	33,894,509	33,300,139	98.25	8,984	33,309,123	98.27
2002	35,771,438	35,031,887	97.93	16,431	35,048,318	97.98
2003	37,737,279	36,903,184	97.79	18,324	36,921,508	97.84
2004	39,101,846	38,244,628	97.81	21,482	38,266,110	97.86
2005	40,428,497	39,824,096	98.51	16,868	39,840,964	98.55
2006	39,553,780	38,817,558	98.14	22,108	38,839,666	98.19
2007	42,813,720	41,829,579	97.70	12,546	41,842,125	97.73
2008	44,751,466	43,356,322	96.88	15,638	43,371,960	96.92

(I) Does not include penalty and interest on late payment of taxes

# City of Farmington Hills, Michigan

	Fiscal Year			
	1999	2000	2001	2002
<b>Governmental Activities</b>				
General obligation bonds	\$ 11,175,000	\$ 9,470,000	\$ 8,480,000	\$ 18,430,000
County contractual obligations	13,118,931	12,451,818	11,658,291	9,797,054
Installment purchase agreements	-	-	-	-
Special assessment bonds	8,175,000	8,680,000	7,500,000	6,420,000
Highway loan program	24,273	-	-	-
Total governmental activities	32,493,204	30,601,818	27,638,291	34,647,054
<b>Business-type Activities</b>				
General obligation bonds	5,591,250	5,303,750	5,046,250	4,788,750
County contractual obligations	6,755,262	5,571,175	4,686,378	4,064,016
Total business-type activities	12,346,512	10,874,925	9,732,628	8,852,766
Total debt of the government	<u>\$ 44,839,716</u>	<u>\$ 41,476,743</u>	<u>\$ 37,370,919</u>	<u>\$ 43,499,820</u>
Total taxable value	\$ 3,073,823,680	\$ 3,216,893,800	\$ 3,336,712,530	\$ 3,513,503,690
Ratio of total debt to taxable value	1.46%	1.29%	1.12%	1.24%
Total population	81,620	82,111	81,970	83,500
Total debt per capita	\$ 549	\$ 505	\$ 456	\$ 521

Source: City Annual Financial Statements: Population data reported from demographics data

**Debt Capacity Information**  
**Ratios of Outstanding Debt**

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 17,090,000	\$ 15,825,000	\$ 22,440,000	\$ 21,200,000	\$ 20,045,000	\$ 18,920,000
8,527,174	7,571,472	6,696,107	5,829,778	4,856,409	3,762,883
-	-	-	-	-	-
6,955,000	6,810,000	5,670,000	4,560,000	3,495,000	2,660,000
-	-	-	-	-	-
32,572,174	30,206,472	34,806,107	31,589,778	28,396,409	25,342,883
4,506,250	4,218,750	3,906,250	3,593,750	3,256,250	2,923,750
3,483,582	2,896,023	2,459,082	1,953,253	1,446,653	860,022
7,989,832	7,114,773	6,365,332	5,547,003	4,702,903	3,783,769
<b>\$ 40,562,006</b>	<b>\$ 37,321,245</b>	<b>\$ 41,171,439</b>	<b>\$ 37,136,781</b>	<b>\$ 33,099,312</b>	<b>\$ 29,126,652</b>
\$ 3,694,788,600	\$ 3,830,232,170	\$ 3,974,587,000	\$ 4,120,595,630	\$ 4,308,817,670	\$ 4,438,529,490
1.10%	0.97%	1.04%	0.90%	0.77%	0.66%
82,274	81,058	80,854	80,486	80,392	79,327
\$ 493	\$ 460	\$ 509	\$ 461	\$ 412	\$ 367



# City of Farmington Hills, Michigan

## Debt Capacity Information Ratios of General Bonded Debt Outstanding

Fiscal Year Ended June 30	Assessed Value (SEV)	Estimated Population	General Bonded Debt Outstanding	Obligation Debt to Assessed Value (Percent)	General Obligation Debt per Capita
1999	\$ 3,217,279,700	81,620	\$ 11,175,000	0.35	136.91
2000	3,456,406,270	82,111	9,470,000	0.27	115.33
2001	3,645,559,130	81,970	8,480,000	0.23	103.45
2002	3,945,512,540	83,500	18,430,000	0.47	220.72
2003	4,277,835,510	82,274	17,090,000	0.40	207.72
2004	4,504,750,120	81,028	15,825,000	0.35	195.30
2005	4,629,979,870	80,854	22,440,000	0.48	277.54
2006	4,741,538,300	80,486	21,200,000	0.45	263.40
2007	4,945,217,110	80,392	20,090,000	0.41	249.90
2008	4,743,497,740	79,327	18,920,000	0.40	238.51

General bonded debt - For the purpose of this schedule, general bonded debt includes only Building Authority Bonds. The debt service requirements of all remaining debt are currently funded through revenue sources other than property taxes.

## Direct and Overlapping Debt

Jurisdiction	Net General Bonded Debt Outstanding	Percent Applicable to Farmington Hills Taxpayers	Amount Applicable to Farmington Hills Taxpayers
Direct debt - City of Farmington Hills	\$ 29,126,652	100.00	\$ 29,126,652
Overlapping debt:			
Farmington School District	64,545,000	87.76	56,444,692
Clarenceville School District		30.64	-
Walled Lake School District	177,690,000	3.65	6,485,685
Oakland County at Large	109,962,280	6.85	7,532,416
Oakland County Intermediate School District	53,730,000	6.88	3,696,624
Oakland Community College	7,965,000	6.71	534,452
Farmington Hills Library	5,705,000	91.29	5,208,095
Total overlapping debt	419,597,280		80,101,963
Total	<u>\$ 448,723,932</u>		<u>\$ 109,228,615</u>

General bonded debt - For the purpose of this schedule, general bonded debt is defined as all bonded debt with the exception of Special Assessment and Michigan Transportation Bonds.

Source: Municipal Advisory Council of Michigan

# City of Farmington Hills, Michigan

	1999	2000	2001
<b>Debt Limit (Fiscal Year Ended) (1)</b>			
State equalized valuation (previous year)	\$ 3,217,279,700	\$ 3,456,406,270	\$ 3,645,559,130
Debt limit (10 percent of State equalized valuation) (2)	10.00	10.00	10.00
 Total debt limit	 321,727,970	 345,640,627	 364,555,913
<b>Debt Applicable to Debt Limit</b>			
Total bonded debt	44,839,716	41,476,743	37,370,919
Less deductions allowed by law:			
Special Assessment Bonds	8,175,000	8,680,000	7,500,000
Michigan Transportation Bonds	3,500,000	3,150,000	2,800,000
 Total amount of debt applicable to debt limit	 33,164,716	 29,646,743	 27,070,919
 <b>Legal Debt Margin</b>	 <b>\$ 288,563,254</b>	 <b>\$ 315,993,884</b>	 <b>\$ 337,484,994</b>
 <b>Net Debt Subject to Limit</b>			
as Percentage of Debt Limit	10.31%	8.58%	7.43%

(1) The legal debt limit continues to be derived from State Equalized Value (SEV), not Taxable Value (TV)

(2) Debt limit set forth in Section 4a, Act 279 of 1909 and Act 202, P.A. 1943 as amended by Act 42 P.A. 1960

Source: City budget and financial statements

## Debt Capacity Information Legal Debt Margins

2002	2003	2004	2005	2006	2007	2008
<u>\$ 3,945,512,540</u> 10.00	<u>\$ 4,277,835,510</u> 10.00	<u>\$ 4,504,750,120</u> 10.00	<u>\$ 4,629,979,870</u> 10.00	<u>\$ 4,727,926,950</u> 10.00	<u>\$ 4,873,928,140</u> 10.00	<u>\$ 4,959,218,650</u> 10.00
394,551,254	427,783,551	450,475,012	462,997,987	472,792,695	487,392,814	495,921,865
43,499,820	40,562,006	37,321,245	41,171,439	37,136,781	33,099,312	29,126,652
6,420,000	6,955,000	6,810,000	5,670,000	4,560,000	3,495,000	2,660,000
<u>2,400,000</u>	<u>1,950,000</u>	<u>1,500,000</u>	<u>1,050,000</u>	<u>600,000</u>	<u>300,000</u>	<u>-</u>
<u>34,679,820</u>	<u>31,657,006</u>	<u>29,011,245</u>	<u>34,451,439</u>	<u>31,976,781</u>	<u>29,304,312</u>	<u>26,466,652</u>
<b><u>\$ 359,871,434</u></b>	<b><u>\$ 396,126,545</u></b>	<b><u>\$ 421,463,767</u></b>	<b><u>\$ 428,546,548</u></b>	<b><u>\$ 440,815,914</u></b>	<b><u>\$ 458,088,502</u></b>	<b><u>\$ 469,455,213</u></b>
8.79%	7.40%	6.44%	7.44%	6.76%	6.01%	5.34%

# City of Farmington Hills, Michigan

## Demographic and Economic Statistics Principal Employers

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate	Number of Households
1999	81,620 (2)	(1)	(1)	1.7 (3)	32,588 (2)
2000	82,111 (4)	(1)	\$ 36,134 (4)	1.5 (3)	33,559 (4)
2001	81,970 (2)	(1)	(1)	2.6 (3)	33,656 (2)
2002	83,500 (2)	(1)	(1)	3.7 (3)	33,714 (2)
2003	82,274 (2)	(1)	(1)	3.7 (3)	33,854 (2)
2004	81,058 (2)	(1)	(1)	4.7 (3)	33,615 (2)
2005	80,854 (2)	(1)	(1)	5.1 (3)	33,644 (2)
2006	80,486 (2)	(1)	(1)	5.0 (3)	33,650 (2)
2007	80,392 (2)	(1)	(1)	5.6 (3)	33,740 (2)
2008	79,327 (2)	(1)	(1)	6.7 (3)	33,412 (2)

- (1) Not available  
 (2) Statistics from the Southeastern Michigan Coalition of Governments (SEMCOG) and/or the Farmington Hills Planning Department  
 (3) Michigan Department of Labor and Economic Growth  
 (4) U.S. Census Bureau

Taxpayer	2008 Employees	Percentage of Total	1999 Employees	Percentage of Total	1998 Rank
1 Botsford Hospital	2,000	4.68	(1)	(1)	(1)
2 Farmington Public Schools	1,700	3.98	(1)	(1)	(1)
3 Robert Bosch Corporation	1,600	3.75	(1)	(1)	(1)
4 Quicken Loans	1,000	2.34	(1)	(1)	(1)
5 Cengage Learning Gale	850	1.99	(1)	(1)	(1)
6 Chrysler Financial Services	800	1.87	(1)	(1)	(1)
7 Aditya Birla Minacs	700	1.64	(1)	(1)	(1)
8 TRW Automotive Electronics	600	1.40	(1)	(1)	(1)
9 ACO Hardware	500	1.17	(1)	(1)	(1)
10 Nissan Technical Center North America	500	1.17	(1)	(1)	(1)

Source: City Economic Development records

(1) Not available

# City of Farmington Hills, Michigan

## Operating Information Full-time Equivalent Government Employees (I)

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>General Government</b>										
City administration (1)	10.50	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Public information	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.50	4.00	4.00
Finance department	16.06	16.05	15.55	15.60	15.60	15.60	15.60	15.15	14.53	14.53
Assessing	10.06	9.96	9.04	9.04	9.04	9.04	9.04	9.04	9.04	8.54
City clerk	9.63	9.63	11.25	10.61	11.15	9.80	10.26	9.90	8.90	8.77
Human resources	3.75	3.75	3.75	3.75	3.75	4.25	4.25	4.00	4.00	4.00
Central services (2)	7.50	8.50	8.50	8.50	8.50	8.50	9.50	9.50	9.50	9.50
<b>Public Safety</b>										
Police (3)	169.88	177.28	178.69	180.74	180.62	180.62	173.58	173.52	181.27	180.58
Fire and EMS (4)	74.95	75.95	76.95	76.95	80.95	80.95	80.95	80.95	85.95	85.95
<b>Public Services</b>										
Administration (5)	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00
Road maintenance	28.25	28.25	28.25	28.25	28.25	28.25	27.50	26.50	27.25	27.25
Building maintenance (6)	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00
Engineering	20.99	21.99	21.79	21.79	21.79	21.79	21.79	21.07	21.20	20.20
D.P.W. garage	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.00	11.00
Waste collection/recycling	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Planning and community development (7)	28.50	28.00	28.00	28.00	26.50	26.50	26.50	26.50	26.50	26.50
<b>Special Services (8)</b>										
Administration	38.57	10.10	10.10	10.40	10.10	10.60	10.80	18.30	19.50	20.30
Youth and families	-	6.60	6.50	6.50	6.70	6.70	7.24	7.24	10.40	10.40
Senior adults	-	-	-	20.02	17.24	15.91	16.34	24.75	23.02	25.98
Parks division	-	24.20	24.62	27.11	28.83	27.17	24.47	24.44	25.44	26.44
Cultural arts	-	-	-	2.40	2.40	2.75	3.04	3.04	3.04	3.32
William Costick Activities Center	26.95	28.88	28.87	7.31	7.35	7.35	7.31	-	-	-
Golf course division	-	4.21	4.31	4.31	5.60	7.77	9.66	10.39	10.39	13.39
Ice arena	26.18	23.88	23.33	19.10	18.15	16.61	17.39	17.73	18.16	16.93
<b>Total</b>	<b>494.27</b>	<b>505.48</b>	<b>507.75</b>	<b>508.38</b>	<b>510.52</b>	<b>510.16</b>	<b>505.22</b>	<b>512.02</b>	<b>528.09</b>	<b>532.58</b>

Source: City personnel records

- (1) Youth and family employees were moved from City administration to the youth and family budget in special services in 2000.
- (2) One position was added in 2000 to support the growing number of computers and one position added in 2005 for GIS.
- (3) Over the years, police personnel increased due to the passage of a millage and the growth of the community until 2004, when six full-time positions were not filled. Five patrol officers and one cadet, funded by a millage renewal and increase, were added in 2007.
- (4) Gradual increase over the years due to the passage of a millage and new EMS service. Five fire fighters were added in 2007, funded by a millage renewal and increase.
- (5) An environmental coordinator was added in 2004.
- (6) Several contractual positions were eliminated and one full-time position was added in 2004.
- (7) As a result of less new construction, the building staff was reduced in 2003.
- (8) There has been change over the years in this department with the combining and/or addition of divisions; however, the number of employees has remained steady. It appears there was an increase of 10 employees in 2006, but that is the transfer of employees previously charged to a transportation grant. The number of employees in youth and families increased in 2007 because of the opening of another youth center.

# City of Farmington Hills, Michigan

Function/Program	1999	2000	2001	2002
Police:				
Physical arrests	3,033	2,995	2,887	3,463
Traffic violations	19,494	22,032	19,166	19,832
Fire:				
Total incidents	5,901	6,393	6,440	6,746
Public education programs	(1)	315	288	275
Fire loss	\$ 4,518,683	\$ 2,983,042	\$ 3,224,960	\$ 4,531,661
Public works:				
Dwelling units receiving refuse service	22,154	22,430	22,557	22,581
% of waste stream recycled	27.27	29.82	31.35	30.54
Parks and recreation - Recreation programs	(1)	(1)	(1)	(1)
Library:				
Circulation (books borrowed)	860,040	943,335	954,333	1,085,750
Collection volume	207,784	207,606	211,357	221,611
Water				
Water customers	21,234	21,590	21,811	21,981
Water main breaks	93	131	119	121
Total consumption (mcf)	549,634	563,236	494,561	543,716
Average consumption per user (mcf/year)	25.9	26.1	22.7	24.7
Sewer - Average daily sewage treatment	25.0	25.1	22.0	23.8

(1) Information not available

Source: City records, Department annual reports, and Oakland County Drain Commission

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**Operating Information**  
**Operating Indicators**

2003	2004	2005	2006	2007	2008
3,060	3,230	3,328	2,789	3,482	4,013
19,081	18,991	17,646	13,347	17,770	19,754
6,432	6,487	6,645	6,818	6,668	7,026
244	451	218	109	111	102
\$ 5,967,485	\$ 5,735,652	\$ 3,427,891	\$ 2,490,598	\$ 3,401,006	\$ 9,026,874
22,661	22,665	22,750	22,790	22,980	23,049
28.46	30.91	30.94	30.98	32.48	32.50
1,710	2,008	2,329	2,329	2,454	2,450
1,221,738	1,206,540	1,152,305	1,152,305	1,202,625	1,272,317
237,152	237,624	240,639	240,639	246,016	250,852
22,198	22,331	22,473	22,672	22,713	22,725
134	161	82	77	65	76
562,976	508,604	493,433	529,758	490,831	514,878
25.4	22.8	22	23.4	21.6	22.7
23.9	21.7	21	20.7	19.3	20.4

# City of Farmington Hills, Michigan

## Operating Information Capital Asset Statistics

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police:										
Stations	I	I	I	I	I	I	I	I	I	I
Patrol units	(I)	(I)	77	78	82	82	82	82	82	82
Fire:										
Stations	5	5	5	5	5	5	5	5	5	5
Trucks	15 (***)	15 (***)	15 (**)	15 (**)	18 (*)	16	16	17	16	16
Public works - Streets (miles):										
Major	57	58	58	58	58	58	58	58	58	58
Local	241	241	242	242	243	243	243	243	245	245
Parks and recreation:										
Acreage	629	629	629	629	629	629	629	629	629	629
Playgrounds	4	4	4	4	4	4	4	4	4	4
Soccer fields	10	10	10	15	15	15	15	15	15	15
Baseball/Softball diamonds	10	10	10	10	10	10	10	10	10	10
Pools	I	I	I	I	I	I	I	I	I	I
Ice arena	I	I	I	I	I	I	I	I	I	I
Senior center	I	I	I	I	I	I	I	I	I	I
Golf course	I	I	I	I	I	I	I	I	I	I
Libraries - Branches	I	I	I	I	I	I	I	I	I	I
Water:										
Mains (miles)	429	437	439	443	449	450	454	457	460	454
Fire hydrants	(I)	(I)	(I)	(I)	(I)	4,703	4,883	5,008	5,033	5,084
Storage capacity	(I)	(I)	(I)	(I)	(I)	(I)	(I)	(I)	(I)	(I)
Sewer:										
Miles of sanitary sewers	311	313	315	317	320	322	323	325	326	327
Sewer customers	20,996	21,383	21,577	21,724	21,913	22,051	22,152	22,363	22,393	22,407
Treatment capacity	(I)	(I)	(I)	(I)	(I)	(I)	(I)	(I)	(I)	(I)

Source: City records, department annual reports, and Oakland County Drain Commission

(I) Information not available

(\*) Two are temporary

(\*\*) Three are temporary

(\*\*\*) One is temporary



# **City of Farmington Hills, Michigan**

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**Federal Awards  
Supplemental Information  
June 30, 2008**

# City of Farmington Hills, Michigan

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Farmington Hills, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington Hills, Michigan as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements, and have issued our report thereon dated November 20, 2008. Those basic financial statements are the responsibility of the management of the City of Farmington Hills, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Farmington Hills, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

November 20, 2008

Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council  
City of Farmington Hills, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington Hills, Michigan as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements, and have issued our report thereon dated November 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency/material weakness.

To the Honorable Mayor and  
Members of the City Council  
City of Farmington Hills, Michigan

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 08-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the significant deficiency reported as item 08-01 described above is also a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Farmington Hills, Michigan's response to the material weakness identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

To the Honorable Mayor and  
Members of the City Council  
City of Farmington Hills, Michigan

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moreau, PLLC*

November 20, 2008

## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and Members  
of the City Council  
City of Farmington Hills, Michigan

### Compliance

We have audited the compliance of the City of Farmington Hills, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The major federal programs of the City of Farmington Hills, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Farmington Hills, Michigan's management. Our responsibility is to express an opinion on the compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the compliance with those requirements.

In our opinion, the City of Farmington Hills, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

To the Honorable Mayor and Members  
of the City Council  
City of Farmington Hills, Michigan

### **Internal Control Over Compliance**

The management of the City of Farmington Hills, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the internal control over compliance with the requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

November 20, 2008



# City of Farmington Hills, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development - Direct programs - Community Development Block Grant - Program year 2007 - B-07-MC-26-0033	14.218	N/A	\$ 385,315	\$ 302,809
U.S. Department of Health and Human Services - Passed through Area Agency on Aging:	93.045			
Nutrition Services		07-9018-03	25,213	25,213
Nutrition Services		08-9018-03	121,000	121,000
Total U.S. Department of Health and Human Services				146,213
U.S. Department of Agriculture - Passed through Area Agency on Aging:	10.570			
Nutrition services		07-9018-03	8,204	8,204
Nutrition services		08-9018-03	48,681	48,681
Total U.S. Department of Agriculture				56,885
U.S. Department of Justice - Direct programs:				
Federal Equitable Sharing Program	16.unknown	N/A	565,894	73,002
Justice Assistance Grant - 2007-LB-BX-0210	16.738	N/A	18,010	18,010
Total U.S. Department of Justice				91,012
U.S. Environmental Protection Agency - Passed through Wayne County, Michigan - East Lincolnshire SSO Project	66.606	RVIA-03	1,114,400	11,046
U.S. Department of Transportation:				
Passed through the Michigan Department of Transportation:	20.205			
Northwestern Highway Enhancement		STP0463(368)	64,000	17,576
Nine Mile - Tuck to Middlebelt		STP0763(042)	553,500	77,447
Halsted - Grand River to Eleven Mile		STP0763(037)	717,200	83,365
Fourteen Mile - Farmington to Orchard Lake		STP0863(038)	817,400	8,676
Fourteen Mile - Drake to Farmington		STP0863(036)	889,000	22,102
Farmington Road - Thirteen Mile to Glenmuer		STP0863(040)	583,800	19,515
I-275 Living Wall		TCSP0563(028)	115,000	10,926
Total passed through the Michigan Department of Transportation				239,607

# City of Farmington Hills, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Transportation (Continued):				
Passed through the City of Novi - Youth Alcohol Federal Grant	20.600	AL-07-23	\$ 6,710	\$ 6,710
Passed through the Michigan State Police MACP Highway Safety Grant	20.600	PT-07-069	6,000	6,000
Total U.S. Department of Transportation				252,317
U.S. Department of Forestry - Passed through the State of Michigan - Emerald Ash Borer (EAB) Tree Planting Grant	10.664	XP995743-08	2,500	2,500
Total federal awards				<u>\$ 862,782</u>

# City of Farmington Hills, Michigan

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## **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards**

Revenue from federal sources - As reported on financial statements:	
Governmental funds	\$ 1,034,220
Proprietary funds	<u>11,046</u>
Total revenue from federal sources	1,045,266
Add federal revenue not reported on financial statements but expended in current year	12,710
Less federal revenue reported on financial statements but not expended in current year	<u>(195,194)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 862,782</u></u>

# **City of Farmington Hills, Michigan**

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## **Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008**

### **Note - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Farmington Hills, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

# City of Farmington Hills, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2008

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ☒ Yes ☐ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### Federal Awards

Internal control over major programs:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major program(s):

CFDA Number	Name of Federal Program or Cluster	Amount
14.218	Community Development Block Grant	\$ 302,809
20.205	Michigan Department of Transportation	239,607

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

# City of Farmington Hills, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

### Section II - Financial Statement Audit Findings

Reference Number	Findings
08-01	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Management's goal was to accurately record the receivable and related revenue associated with Act 51 monies.</p> <p><b>Condition</b> - A journal entry was necessary to properly state the balance for the receivable related to Act 51 monies as of June 30, 2008.</p> <p><b>Context</b> - These amounts are related to year-end adjustments.</p> <p><b>Cause</b> - The City of Farmington Hills, Michigan has a process in place for the balances to be adjusted at year end; however, the entry posted did not properly reflect the full receivable.</p> <p><b>Effect</b> - As a result of these transactions not being properly recorded, the City of Farmington Hills, Michigan's records were not correctly stated.</p> <p><b>Recommendation</b> - The City of Farmington Hills, Michigan should develop controls to ensure that all appropriate journal entries are made to properly reflect the balances on the supporting schedules.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City of Farmington Hills, Michigan concurs with the recommendation and will put a process in place to address the issue.</p>

### Section III - Federal Program Audit Findings

None

# City of Farmington Hills, Michigan

## Summary of Prior Year Findings Year Ended June 30, 2008

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
2007	07-1	The City is required to separately track federal forfeiture expenses. In addition, the City is required to reconcile the annual certification report to the general ledger.	16.unknown	None	In the current fiscal year, the City has created separate funds to separately track federal forfeiture activity.
2007	07-2	The City is required to have a capital asset listing that identifies assets purchased with federal forfeiture monies.	16.unknown	None	In the current year, the police department established a separate capital asset listing. The listing identifies capital assets purchased with federal forfeiture monies.

# **City of Farmington Hills, Michigan**

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**Report to the Mayor and Members of the City Council  
June 30, 2008**





**Plante & Moran, PLLC**

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To the Mayor and Members of the City Council  
City of Farmington Hills, Michigan

We have recently completed our audit of the basic financial statements of the City of Farmington Hills, Michigan (the "City") for the year ended June 30, 2008. In addition to our audit report, we are providing the following audit communication report, including informational comments which financially impact the City of Farmington Hills, Michigan. The following index summarizes the enclosed communications:

	<u>Page</u>
<b>Report on the Results of the Audit</b>	2-5
<b>Informational - Legislative and Other Matters</b>	6-11

We are grateful for the opportunity to be of service to the City of Farmington Hills, Michigan. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

**Plante & Moran, PLLC**

Douglas G. Bohrer

William E. Brickey

## **Results of the Audit**

To the Mayor and Members  
of the City Council  
City of Farmington Hills, Michigan

November 20, 2008

We have audited the financial statements of the City of Farmington Hills, Michigan for the year ended June 30, 2008 and have issued our report thereon dated November 20, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 7, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City of Farmington Hills, Michigan. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the City of Farmington Hills, Michigan's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the City of Farmington Hills, Michigan's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated November 20, 2008 included in the report of federal awards regarding our consideration of the City of Farmington Hills, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Mayor and Members  
of the City Council  
City of Farmington Hills, Michigan

November 20, 2008

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of the City of Farmington Hills, Michigan, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 13, 2008.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Farmington Hills, Michigan are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are the estimates of the incurred but not reported amounts related to the City's self-insured health care, workers' compensation, and general liability.

Management's estimate of the various incurred but not reported amounts is based on historical information. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were Note 3 - Deposits and Investments, Note 6 - Long-term Debt, Note 8 - Retirement Plan, and Note 9 - Postemployment Benefits.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. One adjustment related to the recording of Act 51 payments was required.

***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management's Representations***

We have requested certain representations from management that are included in the management representation letter dated November 20, 2008.

***Management's Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Mayor and Members  
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November 20, 2008

***Other Audit Findings or Issues***

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the City's auditors.

In addition to the comments in this letter, our observations and comments regarding the City of Farmington Hills, Michigan's internal control, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This report is included in the supplemental schedule of federal awards (single audit report), and we recommend that the matters we have noted there receive your careful consideration.

This information is intended solely for the use of the members of the City Council and management of the City of Farmington Hills, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "D. Bohrer", written in a cursive style.

Douglas G. Bohrer

A handwritten signature in black ink, appearing to read "Will Brickey", written in a cursive style.

William E. Brickey

## **Informational and Legislative Items**

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## Property Tax Developments

The front page story several months ago is now old news. For many communities in Michigan, the challenging real estate market will negatively change the taxable value trends of recent years. Many communities saw modest declines in their 2008 taxable values, and if the downward trend in the housing market continues, the impact will be larger next year. How it will actually play out in each community and over what period of time remains to be seen. While each community will need to carefully determine the impact of the current environment on its budget, there are also several pieces of legislation in Lansing that will impact property taxes going forward. Examples include:

- House Bill 4215 (Public Act 96 of 2008) allows property owners to obtain two principal residence exemptions in certain situations. The bill was designed for situations where a homeowner has purchased a new home and is unable to sell the existing home. The dual exemption only applies if certain conditions are met (i.e., the property previously occupied is for sale, not occupied, not leased or available for lease, etc.).
- A series of bills were introduced in March 2007 as part of a package to stimulate home sales (House Bills 4440, 4441, and 4442). The lead bill of that package, House Bill 4440, establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years. House Bill 4440 actually passed the House in March 2007 and is currently in the Michigan Senate.

Many property owners continue to struggle with the concept that their individual taxable values actually increased during a time that overall property values - and even their individual property values - have fallen. As we all have relearned in recent months, that is a constitutional requirement that changed with Proposal A in 1994. It may be helpful to remember the principle behind Proposal A - its purpose was to disconnect taxable values from market value increases, and instead limit the growth in taxable values to the lesser of 5 percent or inflation, until that point that the property transfers ownership. Now that the market values are declining in many areas, Proposal A continues to stay disconnected, and allows the taxable value to increase by the lesser of 5 percent or inflation (up until the point that it re-connects with market values).

Fairly or not, this year, many property owners said it did not feel right when they saw their taxable value increase by inflation when market value did not. This has led to a discussion as to whether a third variable, called “change in market value,” needs to be added to the Proposal A formula. In what some are calling a “super cap,” the Proposal A formula to determine annual increases in taxable value (if property is not sold or transferred) would be the lesser of three components: inflation, change in market value, or 5 percent. Therefore, if the market value of the parcel was either flat or declining - even if the taxable value of the particular parcel was less than state equalized value - there would be no annual increase. To date, a proposal to accomplish this change has not moved through the legislature. A change of this nature would impact local government budgets.

- As part of the changes to the single business tax last year and the introduction of the Michigan business tax, changes were also made to the calculation of tax rates applicable to industrial and commercial personal property taxes. As advertised, industrial personal property taxpayers received a reduction of the school operating mills (up to 18 mills) and the 6 mill state education tax. Commercial personal property taxpayers received a reduction of up to 12 school operating mills. However, if your community has a school district with “hold harmless” school mills, you must add back any hold harmless millage prior to computing the total mills to be levied. This may generate questions from commercial and industrial taxpayers.
- A Michigan Supreme Court case has changed how local governments can treat public service improvements by developers. Leading up to the court case, as private property owners or developers installed public service improvements (i.e., street lights, water and sewer lines, etc.), there was normally an increase in their property tax assessment. The Michigan Supreme Court upheld a Court of Appeals ruling that the installation of public service improvements does not constitute a taxable addition.

### State-shared Revenue

The governor initially released her proposal of the State’s fiscal year 2009 budget (for the year ending September 30, 2009) in February 2008. Over the course of budget deliberations in the spring and early summer, the legislature further debated the level of revenue-sharing funding, resulting in a compromise by the Senate and House to fund revenue-sharing equal to the projected fiscal year 2008 (fiscal year ended September 30, 2008) amounts, plus an increase of 2 percent in the statutory portion of revenue sharing received in fiscal year 2007. This proposal was presented to the governor on July 25, 2008 and is awaiting her signature.

Here is a summary (in millions of dollars) of the revenue-sharing budget submitted to the governor:

	FY 2007 Actual	FY 2008 Projected	FY 2009 Projected	Percent Change
Cities, villages, and townships:				
Constitutional	\$ 665.980	\$ 682.780	\$ 675.992	-0.99%
Statutory	404.920	392.050	406.933	3.80%
Total to cities, village, and townships	1,070.900	1,074.830	1,082.925	0.75%
Counties (statutory)	-	-	2.394	n/a
Total revenue sharing	<u>\$ 1,070.900</u>	<u>\$ 1,074.830</u>	<u>\$ 1,085.319</u>	0.98%



While the projection is for an overall increase of 0.75 percent (for cities, villages, and townships), the impact will not be evenly distributed between all local units. Remember, the 2 percent increase is for the statutory portion only - not the constitutional portion. The intent is for the total revenue sharing (constitutional plus statutory) in FY 2009 to equal the total of constitutional and statutory revenue sharing received in FY 2008, plus an additional payment equal to 2 percent of the FY 2007 statutory revenue sharing received by the local unit. That may mean that for those units (primarily townships) that now receive no statutory revenue sharing, total revenue sharing projected for FY 2009 will be identical to the amounts received in FY 2008. We are awaiting a final distribution table from the Michigan Department of Treasury.

The governor's proposed budget also included \$2.4 million to restore state revenue-sharing payments for the six qualifying counties that will exhaust their revenue-sharing reserve funds in fiscal year 2008/2009. As you may remember, a reserve fund was created for each county in 2005 when the State eliminated counties from the revenue-sharing program (remember, counties only receive statutory revenue sharing, not constitutional). In 2005, counties were required to phase in the early collection of winter property tax payments and to create a reserve fund with a portion of these monies. Counties have been drawing on their reserve funds to replace lost statutory revenue sharing. When the reserve fund is depleted, counties will then look to the State to re-enter the statutory portion of the revenue-sharing program. Prior to their elimination from the revenue-sharing program in 2005, counties statewide received approximately \$182 million annually. It is encouraging that this budget funds revenue sharing at a higher level than last year. As counties have started to come back into the formula, the legislature has budgeted this as an additional payment, rather than one that reduces distributions to the other local units of government. To a great extent, however, actual revenue-sharing distributions will depend on the stability of the State's budget, as well as the actual level of state tax collections. In addition, we need to remember that the statutory formula expired in 2007 and a new, permanent formula has not been enacted - please remember to remind your state representatives of the importance of extending this legislation.

The table below details state-shared revenue for the City since 2003 broken out by statutory and constitutional portions.

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2001</u>
2001	\$ 2,973,000	\$ 5,328,000	\$ 8,301,000	\$ -
2002	2,735,000	5,383,000	8,118,000	183,000
2003	2,363,000	5,474,000	7,837,000	464,000
2004	1,629,000	5,414,000	7,043,000	1,258,000
2005	1,423,000	5,544,000	6,967,000	1,334,000
2006	1,251,000	5,638,000	6,889,000	1,412,000
2007	1,163,000	5,521,000	6,684,000	1,617,000
2008	979,000	5,705,000	6,684,000	1,617,000

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the City has approximately \$979,000 at risk in its General Fund budget based on 2008 funding levels. In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

## **Reminder - Change in Investment Act**

Public Act 213 of 2007, adopted at the end of 2007, requires local governments to perform their investment reporting quarterly to the governing body. The investment of surplus monies by Michigan local governments is controlled by Public Act 20 of 1943. The Act previously required investment reporting annually. It is suggested that the required quarterly reports list investments by institution along with maturity dates and interest rates.

## **Recent Revisions to State Transportation Funding Program**

Current legislation modified Act 51 to allow local governments to transfer monies from their Major Street Fund to their Local Street Fund at a level of 50 percent of annual major street funding received. In addition, greater than 50 percent can be transferred. However, the amended law requires that certain conditions be met to allow for a transfer in excess of 50 percent including the adoption of an asset management process for the major and local street systems as well as a detailed resolution passed by the City. It is important to note that major street monies transferred for use on local streets cannot be used for construction but may be used for preservation. Current legislation also includes a pilot program that would allow for the combination of the Major Street Fund and the Local Street Fund if certain conditions are met.

## **Other Legislative Items**

- As part of Michigan's new "Planning Enabling Act," many local governments will now be required to prepare an annual "capital improvements program." This new requirement is effective September 1, 2008. According to Public Act 33 of 2008, a planning commission, after the adoption of a master plan, shall annually prepare a capital improvements program of public structures and improvements. The law does allow that if the planning commission is exempted from this requirement, the legislative body shall prepare and adopt a capital improvements program or delegate this responsibility to the administration of the local unit for the ultimate approval by the legislative body. The law provides that the capital improvement program report public structures and improvements that, in the community's judgment, will be needed or desirable within the next six years. The law also requires that the public structures and improvements included in the capital improvements program be prioritized. Townships that do not either individually or jointly own or operate a water supply or sewage disposal system are exempt from this requirement. In general, Plante & Moran strongly encourages the development of a capital plan. While the law is restricted to "public structures and improvements," we strongly encourage the inclusion of all capital assets - vehicles, machinery and equipment, office furnishings, etc. In addition, we feel the participation of the governing body (in addition to or instead of) the planning commission is good public policy.

This same public act added several other requirements of planning commissions, including annual reporting by the planning commission to the legislative body along with the mandatory creation of a master plan.

- Multiple bills are pending in Lansing that would make changes to investment laws governing Michigan communities. Changes have been proposed to add different types of investments to what is commonly referred to as “Public Act 20,” which governs the investment of surplus operating monies. Changes are also being proposed to the laws governing the investment of retirement monies.
- A bill is pending in the Michigan Legislature regarding retainages held by governmental units. Retainages are a common method used by local governments in procurement, particularly in the area of construction contracts. The law change focuses on reducing the retainage amount that a local government could require and stipulate the payment of interest on these monies among other provisions.
- Efforts continue in the wake of the *Bolt* case to provide a means for local units of government to engage in rate making to finance the cost of utility operations, particularly that of storm water. Senate Bill 1249 has been introduced to address the tests included in the *Bolt* decision on whether a charge is really a fee or a tax.
- At the federal level, a 2005 law change continues to get more attention as its effective date approaches. As part of the Tax Increase Prevention and Reconciliation Act of 2005, a new mandate was introduced which will require any governmental entity spending more than \$100 million a year in goods and services to withhold 3 percent of government payments beginning in 2011. Governmental units subject to this requirement will also be subject to new reporting rules for applicable payments. Numerous groups - both public and private sector, including the U.S. Department of Defense - have expressed concerns on the cost and practicality of implementing this new mandate. A bill is pending in Congress to delay implementation by a year until January 2012.